

SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
TANIA M. MOYRON (Bar No. 235736)
tania.moyron@dentons.com
NICHOLAS A. KOFFROTH (Bar No. 287854)
nicholas.koffroth@dentons.com
DENTONS US LLP
601 South Figueroa Street, Suite 2500
Los Angeles, California 90017-5704
Tel: (213) 623-9300 / Fax: (213) 623-9924
Proposed Attorneys for the Chapter 11 Debtors and
Debtors In Possession

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION**

In re
VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,
Debtors and Debtors In Possession.

- ☒ Affects All Debtors
- ☐ Affects Verity Health System of California, Inc.
- ☐ Affects O'Connor Hospital
- ☐ Affects Saint Louise Regional Hospital
- ☐ Affects St. Francis Medical Center
- ☐ Affects St. Vincent Medical Center
- ☐ Affects Seton Medical Center
- ☐ Affects O'Connor Hospital Foundation
- ☐ Affects Saint Louise Regional Hospital Foundation
- ☐ Affects St. Francis Medical Center of Lynwood Foundation
- ☐ Affects St. Vincent Foundation
- ☐ Affects St. Vincent Dialysis Center, Inc.
- ☐ Affects Seton Medical Center Foundation
- ☐ Affects Verity Business Services
- ☐ Affects Verity Medical Foundation
- ☐ Affects Verity Holdings, LLC
- ☐ Affects De Paul Ventures, LLC
- ☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered With:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Hon. Judge Ernest M. Robles

**SUPPLEMENTAL NOTICE RE JOINT MOTION
FOR AN ORDER APPROVING: (I) PROPOSED
DISCLOSURE STATEMENT; (II) SOLICITATION
AND VOTING PROCEDURES; (III) NOTICE AND
OBJECTION PROCEDURES FOR
CONFIRMATION OF AMENDED JOINT PLAN;
(IV) SETTING ADMINISTRATIVE CLAIMS BAR
DATE; AND (V) GRANTING RELATED RELIEF**

**[RELATES TO DOCKET NOS. 4881, 4927, 4928,
4934, 4937, 4939, 4976, 4991, 4993, 4994]**

Hearing:

Date: July 2, 2020

Time: 10:00 am

Place: Courtroom 1568

255 E. Temple St., Los Angeles, CA

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300



18201512007020000000000008

1 **PLEASE TAKE NOTICE** that that, in accordance with the *Joint Motion for an Order*
2 *Approving: (I) Proposed Disclosure Statement; (II) Solicitation and Voting Procedures; (III)*
3 *Notice and Objection Procedures for Confirmation of Amended Joint Plan; (IV) Setting*
4 *Administrative Claims Bar Date; and (V) Granting Related Relief* [Docket No. 4881] (the
5 “Motion”),¹ the Debtors hereby file the form of Ballots to be distributed to holders of Claims and
6 Interests in the voting classes set forth in the Plan (as defined below), attached hereto as **Exhibit**
7 **A**, which have been circulated to, and approved by, the Plan Proponents.

8 **PLEASE TAKE FURTHER NOTICE** that, as set forth in the omnibus reply [Docket
9 No. 4976], the Debtors filed the *Second Amended Joint Chapter 11 Plan (Dated July 2, 2020) of*
10 *the Debtors, the Prepetition Secured Creditors, and the Committee* [Docket No. 4993] (the
11 “Plan”) and the related amended disclosure statement [Docket No. 4994] (the “Disclosure
12 Statement”). The Debtors attach hereto, as **Exhibit B**, a redline comparison of the Plan against
13 the *Amended Joint Chapter 11 Plan (Dated June 16, 2020) of the Debtors, the Prepetition*
14 *Secured Creditors, and the Committee* [Docket No. 4879]. Further, the Debtors attach hereto as
15 **Exhibit C**, a redline comparison of the Disclosure Statement against the *Disclosure Statement*
16 *Describing Amended Joint Chapter 11 Plan (Dated June 16, 2020) of the Debtors, the Prepetition*
17 *Secured Creditors* [Docket No. 4880].

18 Dated: July 2, 2020

DENTONS US LLP
SAMUEL R. MAIZEL
TANIA M. MOYRON
NICHOLAS A. KOFFROTH

By /s/ Tania M. Moyron
Tania M. Moyron

Attorneys for the Chapter 11 Debtors and
Debtors In Possession

27 _____
28 ¹ Unless otherwise provided herein, all capitalized terms have the definitions set forth in the Motion.

Exhibit A

Forms of Ballots

Class 2 (Secured Series 2017 Revenue Note Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

- ☒ Affects All Debtors
- ☐ Affects Verity Health System of California, Inc.
- ☐ Affects O'Connor Hospital
- ☐ Affects Saint Louise Regional Hospital
- ☐ Affects St. Francis Medical Center
- ☐ Affects St. Vincent Medical Center
- ☐ Affects Seton Medical Center
- ☐ Affects O'Connor Hospital Foundation
- ☐ Affects Saint Louise Regional Hospital Foundation
- ☐ Affects St. Francis Medical Center of Lynwood Foundation
- ☐ Affects St. Vincent Foundation
- ☐ Affects St. Vincent Dialysis Center, Inc.
- ☐ Affects Seton Medical Center Foundation
- ☐ Affects Verity Business Services
- ☐ Affects Verity Medical Foundation
- ☐ Affects Verity Holdings, LLC
- ☐ Affects De Paul Ventures, LLC
- ☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**BALLOT FOR VOTING TO ACCEPT OR REJECT
THE AMENDED JOINT CHAPTER 11 PLAN OF
LIQUIDATION**

CLASS 2 Secured Series 2017 Revenue Note Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT,
KURTZMAN CARSON CONSULTANTS, LLC ("KCC"), BY THIS DEADLINE IN
ORDER TO BE COUNTED.**

This ballot (the "Ballot") is submitted to you to solicit your vote to accept or reject the *Amended Joint Chapter 11 Plan of Liquidation* (including all exhibits thereto and as amended, modified or supplemented from time to time, the "Plan") [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the "Disclosure Statement") [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") entered on _____, 2020 [Docket No. ____] (the "Disclosure Statement Order"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

Additionally, copies of the Disclosure Statement Order, the Plan and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court's website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Ballot to the following address so that it is **received** by the deadline indicated above:

- By U.S. First Class Mail, Overnight Mail or Hand Delivery to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Or, in the alternative, by submitting your Ballot via the Balloting Agent's online balloting portal, as explained at page 4 of this Ballot.

Ballots transmitted to anyone other than KCC, above, and/or by facsimile, electronic mail or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants² on a case-by-case basis.

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court's website). Documents may also be accessed at KCC's website: <https://www.kccllc.net/verityhealth>.

² The Movants are the Debtors, UMB Bank, N.A., as Master Indenture Trustee, and Wells Fargo Bank, National Association, as Indenture Trustee for 2005 Bonds.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1 AND 2. IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE
LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN CAST.

Item 1. Class Vote. The undersigned, a holder of a Class 2 Claim in the voting amount indicated below, votes to
(check one box only):

☐ **Accept** the Plan.

☐ **Reject** the Plan.

Voting Amount \$ _____³

Item 2. Acknowledgments. By signing this Ballot, the undersigned acknowledges receipt of the Disclosure Statement and the other applicable solicitation materials and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that an otherwise properly completed, executed and timely returned Ballot that does not indicate either acceptance or rejection of the Plan or indicates both acceptance and rejection of the Plan will not be counted.

Name of Creditor

Signature

If by Authorized Agent, Name and Title

Name of Institution

Street Address

City, State, Zip Code

Telephone Number

Email Address

Date Completed

³ For voting purposes only, subject to the tabulation rules (“Tabulation Rules”).

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

- (a) **In the boxes provided in Item 1 of the Ballot, please indicate either acceptance or rejection of the Plan.** Complete the Ballot by providing all the information requested in Items 1 and 2, and sign, date and return the Ballot to the Debtors by ONLY ONE of the following approved return methods:

- By U.S. First Class Mail or Hand Delivery or Overnight Mail to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Alternatively, to submit your Ballot via the Balloting Agent's online balloting portal, visit <http://www.kccllc.net/verityhealth>. Click on the "Submit E-Ballot" section of the website and follow the instructions to submit your Ballot.

IMPORTANT NOTE: You will need the following information to retrieve and submit your customized electronic Ballot:

Unique E-Ballot ID#: _____

The Balloting Agent's online balloting portal is the sole manner in which Ballots will be accepted via electronic or online transmission.

Each E-Ballot ID# is to be used solely for voting only those Claims described in Item 1 of your electronic Ballot. Please complete and submit an electronic Ballot for each E-Ballot ID# you receive, as applicable. Creditors who cast a Ballot using the Notice and Claims Agent's online portal should NOT also submit a paper Ballot.

- (b) **Ballots must be received by KCC on or before July 30, 2020 at 4:00 p.m. (Pacific Time)** (the "Voting Deadline"). If a Ballot is received after the Voting Deadline, it will not be counted (even if post-marked prior to the Voting Deadline), except in the Debtors' discretion with the consent of the Committee. An envelope addressed to KCC is enclosed for your convenience (which address may differ from the address above). Ballots transmitted to anyone other than KCC, above, and/or transmitted to KCC by facsimile, electronic mail, or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants on a case-by-case basis. If neither the "accept" nor "reject" box is checked in Item 1 for an otherwise properly completed, executed and timely returned Ballot, the Ballot will not be counted.
- (c) You must vote all your Claims within a single Class under the Plan either to accept or reject the Plan. Accordingly, if you return more than one Ballot voting different Claims within a single Class under the Plan and the Ballots are not voted in the same manner, those Ballots will not be counted. An otherwise properly executed Ballot that attempts to partially accept and partially reject the Plan likewise will not be counted. Further, inconsistent duplicate Ballots with respect to the same claim shall not be counted.
- (d) Your Claim has been temporarily allowed solely for purposes of voting to accept or reject the Plan in accordance with certain Tabulation Rules approved by the Bankruptcy Court. The Tabulation Rules are set forth in the Disclosure Statement Order. The temporary allowance of claims for voting purposes does not constitute an allowance of claims for purposes of distribution under the Plan and is without prejudice to the rights of the Debtors or any other party-in-interest in any other context to contest the amount or validity of any claim for purposes of allowance under the Plan. More specifically, the Debtors (or the Committee, if permitted by the Debtors) may object to any Claim (as defined in § 101(5)) solely for Plan voting purposes by filing a determination motion (the "Determination Motion"), no later than the Voting Objection Deadline. If an objection to a Claim (made by way of a Determination Motion or otherwise) is filed by the Debtors, or the Committee pursuant to a grant of

permission from the Debtors to file a Determination Motion or a Stipulation and Order granting the Committee standing to object to such Claim (if otherwise required), on or before the Voting Objection Deadline requesting that such Claim be reduced or reclassified, such claimant's Ballot shall, subject to such claimant's right to file a responsive pleading (including, but not limited to, a Claims Estimation Motion [as defined below] as set forth herein, be counted in such reduced amount or as falling into the reclassified category, unless otherwise ordered by the Court. Further, if you have cast a Ballot and if you have timely filed a Proof of Claim (or have otherwise had a Proof of Claim deemed timely filed by the Bankruptcy Court under applicable law), but your Claim is the subject of an objection (made by way of a Determination Motion or otherwise) filed no later than the Voting Objection Deadline, your Ballot will not be counted to the extent it is challenged by the objection, unless such claim is temporarily allowed by the Bankruptcy Court for voting purposes pursuant to Bankruptcy Rule 3018(a) after the creditor files a motion for such temporary allowance (the "Claims Estimation Motion"). If you seek to have your Claim temporarily allowed for purposes of voting to accept or reject the Plan pursuant to Bankruptcy Rule 3018(a), you are required to file a Claims Estimation Motion for such temporary allowance by the later of (i) the Voting Objection Deadline or (ii) if such Claim is the subject of an objection or a Determination Motion, seven (7) days after the filing of the applicable objection or Determination Motion. In the event that a Determination Motion or Claims Estimation Motion is filed, and the non-moving party wants to file a reply to the motion, such reply must be filed by the later of (i) the Voting Objection Deadline, or (ii) seven (7) days after the filing of the applicable motion (the "Voting Objection Reply Deadline"). A hearing will be scheduled (subject to the Bankruptcy Court's availability) on such motion within seven (7) days of the Voting Objection Reply Deadline but in no event later than the Confirmation Hearing (as defined below). The ruling by the Bankruptcy Court on any Determination Motion or Claims Estimation Motion shall be a ruling with respect to the allowance of the Claim(s) under Bankruptcy Rule 3018 and such Claim(s) will be counted, for voting purposes only, in the amount determined by the Bankruptcy Court. In the event a claimant reaches an agreement with the Movants, as to the treatment of a Claim for voting purposes, the Claim may be treated in such manner.

- (e) The Ballot does not constitute and will not be deemed a Proof of Claim or an assertion of a Claim.
- (f) If you cast more than one Ballot voting the same Claim prior to the Voting Deadline, the latest received properly completed Ballot will supersede any prior received Ballots.
- (g) NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
- (h) PLEASE RETURN YOUR BALLOT PROMPTLY. BALLOTS TRANSMITTED BY E-MAIL, FACSIMILE OR OTHER MEANS NOT SPECIFICALLY APPROVED BY THE BANKRUPTCY COURT, MAY BE ACCEPTED BY THE MOVANTS ON A CASE-BY-CASE BASIS.
- (i) IF YOU HAVE RECEIVED A DAMAGED BALLOT, HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE DEBTORS AT

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

DO NOT CONTACT THE DEBTORS FOR LEGAL ADVICE. THE DEBTORS CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTION 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to

a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) Other Injunctions. The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the

Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "Released Parties" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "Committee" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTION 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

Class 3 (Beneficial Ballot For Secured 2015 Revenue Notes Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

- ☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood
Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**BALLOT FOR VOTING TO ACCEPT OR REJECT
THE AMENDED JOINT CHAPTER 11 PLAN OF
LIQUIDATION**

CLASS 3 Secured Revenue 2015 Notes Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**YOU MUST FOLLOW THE DIRECTIONS OF YOUR NOMINEE TO CAST YOUR
VOTE AND ALLOW SUFFICIENT TIME FOR YOUR NOMINEE TO RECEIVE
YOUR VOTE AND TRANSMIT SUCH VOTE ON A MASTER BALLOT, WHICH
MASTER BALLOT MUST BE RETURNED TO THE BALLOTING AGENT BY THE
VOTING DEADLINE IN ORDER FOR YOUR VOTE TO BE COUNTED.**

This ballot (the "Ballot") is submitted to you to solicit your vote to accept or reject the Amended Joint Chapter 11 Plan of Liquidation (including all exhibits thereto and as amended, modified or supplemented from time to time, the "Plan") [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the "Disclosure Statement") [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") entered on _____, 2020 [Docket No. ____] (the "Disclosure Statement Order"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot.

Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC (“KCC”)
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)
Email: VerityInfo@kccllc.com

Additionally, copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court’s website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “Bankruptcy Code”). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Ballot to your Nominee in sufficient time for your Nominee to include your vote on a Master Ballot that must be received by KCC on or before the Voting Deadline, which is **July 30, 2020 at 4:00 PM (Pacific Time)**.

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court’s website). Documents may also be accessed at KCC’s website: <https://www.kccllc.net/verityhealth>.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1, 2, 3 AND 4. IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE
LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN CAST.

Item 1. Principal Amount of Class 3 Secured Revenue 2015 Notes Claims

The undersigned hereby certifies that as of the voting record date, July 2, 2020, the undersigned holder was the beneficial owner (“Beneficial Holder”) of a Class 3 Secured Revenue 2015 Notes Claim in the following principal amount (insert amount in box below):

Principal Amount of Claim: \$ _____
--

Item 2. Vote on Plan

The Beneficial Holder of the Class 3 Secured Revenue 2015 Notes Claims set forth in Item 1 votes to (please check one):

☐ **Accept** the Plan.

☐ **Reject** the Plan.

Item 3. Certification of Class 3 Secured Revenue 2015 Notes Claims Held in Additional Accounts.

By completing and returning this Ballot, the Beneficial Holder of Class 3 Secured Revenue 2015 Notes Claims identified in Item 1 certifies that (a) this Ballot is the only Ballot submitted for the Class 3 Secured Revenue 2015 Notes Claims owned by such Beneficial Holder as indicated in Item 1, except for the Class 3 Secured Revenue 2015 Notes Claims identified in the following table, and (b) all Ballots for Class 3 Secured Revenue 2015 Notes Claims submitted by the Beneficial Holder indicate the same vote to accept or reject the Plan that the Beneficial Holder has indicated in Item 2 of this Ballot (please use additional sheets of paper if necessary). **To be clear, if any Beneficial Holder holds Class 3 Secured Revenue 2015 Notes Claims through one or more Nominees, such Beneficial Holder must identify all Class 3 Secured Revenue 2015 Notes Claims held through its own name and/or each Nominee in the following table, and must indicate the same vote to accept or reject the Plan on all Ballots submitted.**

ONLY COMPLETE ITEM 4 IF YOU HAVE SUBMITTED OTHER BALLOTS
ON ACCOUNT OF A CLASS 3 SECURED REVENUE 2015 NOTES CLAIMS

Account Number of Other Class 3 Secured Revenue 2015 Notes Claims	Name of Owner ²	Principal Amount of Other Class 3 Secured Revenue 2015 Notes Claims Voted	CUSIP of Other Class 3 Secured Revenue 2015 Notes Claims Voted

Item 4. Certifications

By signing this Beneficial Ballot, the undersigned certifies that:

1. Either: (a) it is the holder of a Class 3 Secured Revenue 2015 Notes Claims being voted; or (b) it is an authorized signatory for an entity that is a Beneficial Holder of Class 3 Secured Revenue 2015 Notes Claims being voted;
2. It has received a copy of the Solicitation Package and acknowledges that the solicitation is being made pursuant to the terms and conditions set forth therein;
3. It has cast the same vote with respect to all Class 3 Secured Revenue 2015 Notes Claims;
4. No other Beneficial Ballots with respect to the amount of the Class 3 Secured Revenue 2015 Notes Claims identified in Item 1 have been cast or, if any other Beneficial Ballots have been cast with respect to such Claim(s), then any such Beneficial Ballots dated earlier are hereby revoked;
5. It acknowledges that a vote to accept the Plan constitutes an acceptance of the treatment of such Class 3 Secured Revenue 2015 Notes Claims;
6. It understands and, if accepting the Plan, agrees with the treatment provided for its Claim(s) under the Plan; and
7. It acknowledges and agrees that the Debtors may make conforming changes to the Plan to the extent provided by Bankruptcy Rule 3019 as may be reasonably necessary; provided, that the Debtors will not re-solicit acceptances or rejections of the Plan in the event of such conforming changes.

By signing this Ballot, the undersigned acknowledges receipt of the Disclosure Statement and the other applicable solicitation materials and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that an otherwise properly completed, executed and timely returned Ballot that does not indicate either acceptance or rejection of the Plan or indicates both acceptance and rejection of the Plan will not be counted.

² Insert your name if the Class 3 Secured Revenue 2015 Notes Claims are held by you in your own name or, if held in street name through a Nominee, insert the name of your broker or bank.

Name of Creditor

Signature

If by Authorized Agent, Name and Title

Name of Institution

Street Address

City, State, Zip Code

Telephone Number

Email Address

Date Completed

**YOUR COMPLETED BALLOT MUST BE SENT TO YOUR NOMINEE ALLOWING
SUFFICIENT TIME FOR YOUR NOMINEE TO RECEIVE YOUR BALLOT,
COMPLETE A MASTER BALLOT, AND TRANSMIT THE MASTER BALLOT TO
KCC SO THAT IT IS ACTUALLY RECEIVED BEFORE THE VOTING DEADLINE.**

**IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING
PROCEDURES, PLEASE CONTACT THE VOTING AGENT AT:**

Kurtzman Carson Consulting LLC
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)
Email: **VerityInfo@kccllc.com**

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

In the box provided in Item 2 of the Ballot, please indicate either acceptance or rejection of the Plan. Complete the Ballot by providing all the information requested in Items 1, 2, 3 and 4, and **sign, date and return the Ballot by following the directions provided by your Nominee for the return of Ballots.**

INSTRUCTIONS FOR COMPLETING BENEFICIAL BALLOTS

1. Capitalized terms used in the Beneficial Ballot or in these instructions (the “Beneficial Ballot Instructions”) but not otherwise defined in the Beneficial Ballots or these instructions shall have the meaning set forth in the Plan, the Disclosure Statement, or the Disclosure Statement Order.
2. The Court may confirm the Plan and thereby bind Beneficial Holders of Claims, if, among other things, the Plan is confirmed. Please review the Disclosure Statement for more information.
3. To ensure that your vote is counted, you must: (a) complete the Beneficial Ballot; (b) indicate your decision either to accept or reject the Plan in the boxes provided in the Beneficial Ballot; and (c) sign and return the Beneficial Ballot to your Nominee as instructed (original or facsimile signature is acceptable). The Voting Deadline for the receipt of Master Ballots by the Balloting Agent (Kurtzman Carson Consultants, LLC) is 4:00 p.m. (Pacific Time) on **July 30, 2020**. If you hold your securities in street name through a broker, bank or other Nominee, you should promptly return this ballot to your Nominee (or its agent), as specified. (You should not return your ballot to the Balloting Agent.) **Please allow sufficient time for your Nominee to process and forward your vote to the Balloting Agent by the Voting Deadline. If the Claims and Balloting Agent does not timely receive your vote, your vote will not count. Do not fax this ballot to the Balloting Agent.**
4. A Beneficial Ballot that partially rejects and partially accepts the Plan will not be counted. Further, if a Beneficial Holder has multiple Claims within the same Class, the Debtors may, in their discretion, aggregate the Claims of any particular Beneficial Holder within a Class for the purpose of counting votes.
5. This Beneficial Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan and make certifications with respect to the Ballots. Accordingly, at this time, holders of Claims should not surrender certificates or instruments representing their Claims and you should not accept delivery of any such certificates or instruments surrendered together with a Ballot.
6. This Beneficial Ballot does not constitute, and shall not be deemed to be: (a) a proof of claim; or (b) an assertion or admission of a Claim.
7. Please be sure to sign and date your Beneficial Ballot (original and facsimile signatures are acceptable). You should indicate that you are signing a Beneficial Ballot in your capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation or otherwise acting in a fiduciary or representative capacity and, if required or requested by KCC, the Debtors, or the Bankruptcy Court, must submit proper evidence to the requesting party to so act on behalf of such Beneficial Holder. In addition, please provide your name and mailing address if it is different from that set forth on the attached mailing label or if no such mailing label is attached to the Beneficial Ballot.
8. The following Beneficial Ballots shall not be counted in determining the acceptance or rejection of the Plan: (a) any Beneficial Ballot that is illegible or contains insufficient information to permit the identification of the claimant; (b) any Beneficial Ballot cast by a Party that does not hold a Claim in a Class that is entitled to vote on the Plan; (c) any Beneficial Ballot cast by a Person that does not hold a Claim in a Class that is entitled to vote to accept or reject the Plan; (d) any Beneficial Ballot cast for a scheduled Claim designated or determined as unliquidated, contingent, or disputed or as zero or unknown in amount, no timely proof of claim was filed, and for which no 3018(a) motion has been filed by the 3018(a) motion deadline; (e) any Beneficial Ballot timely received that is cast in a manner that indicates neither acceptance nor rejection of the Plan or that indicates both acceptance and rejection of the Plan; (f) any Beneficial Ballot received by the Balloting Agent after the Voting Deadline, unless the Debtors agree in writing to an extension of such deadline; (g) any Beneficial Ballot not

bearing an original or facsimile signature; and (h) any Beneficial Ballot that partially rejects and partially accepts the Plan will not be counted.

9. If you believe you have received this Beneficial Ballot in error, you should contact KCC immediately.
10. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
11. PLEASE RETURN YOUR BALLOT PROMPTLY AS INSTRUCTED BY YOUR NOMINEE .
12. IF YOU HAVE RECEIVED A DAMAGED BALLOT, HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE VOTING AGENT AT:

Kurtzman Carson Consulting LLC
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)
Email: VerityInfo@kccllc.com

DO NOT CONTACT THE DEBTORS OR VOTING AGENT FOR LEGAL ADVICE. THE DEBTORS AND THE VOTING AGENT CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities

whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) **Other Injunctions.** The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee,

the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "**Released Parties**" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "**Committee**" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

PLEASE SUBMIT YOUR BENEFICIAL
BALLOT TO YOUR VOTING NOMINEE PROMPTLY!

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, CONTACT KCC BY: (A) CALLING KCC AT +1 (888) 249-2741 (DOMESTIC) OR +1 (310) 751-2605 (INTERNATIONAL), OR (B) BY EMAIL TO VERITYINFO@KCCLLC.COM AND INCLUDE "VERITY" IN THE SUBJECT LINE.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL RENDER YOU OR ANY OTHER ENTITY THE AGENT OF THE DEBTORS OR THE AGENT OR AUTHORIZE YOU OR ANY OTHER ENTITY TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF ANY OF THE DEBTORS WITH RESPECT TO THE PLAN, EXCEPT FOR THE STATEMENTS CONTAINED IN THE DOCUMENTS ENCLOSED HERewith.

Exhibit 1

Your Nominee may have checked a box below to indicate the CUSIP/ISIN to which this Class 3 Beneficial Holder Ballot pertains, or otherwise provided that information to you on a label or schedule attached to the Beneficial Holder Ballot:

Class 3 Secured Revenue 2015 Notes Claims		
<input type="checkbox"/>	California Public Finance Authority Revenue - Verity Health Systems Series A	13057E AA 2
<input type="checkbox"/>	California Public Finance Authority Revenue - Verity Health Systems Series B	13057E AB 0
<input type="checkbox"/>	California Public Finance Authority Revenue - Verity Health Systems Series C	13057E AC 8
<input type="checkbox"/>	California Public Finance Authority Revenue - Verity Health Systems Series D	13057E AD 6

Class 3 (Master Ballot For Secured 2015 Revenue Notes Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

- ☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood
Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**MASTER BALLOT FOR VOTING TO ACCEPT OR
REJECT THE AMENDED JOINT CHAPTER 11 PLAN
OF LIQUIDATION**

CLASS 3 Secured Revenue 2015 Notes Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**THIS MASTER BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING
AGENT, KURTZMAN CARSON CONSULTANTS, LLC ("KCC"), BY THIS
DEADLINE IN ORDER TO BE COUNTED.**

This ballot (the "Ballot") is submitted to you to solicit your vote to accept or reject the Amended Joint Chapter 11 Plan of Liquidation (including all exhibits thereto and as amended, modified or supplemented from time to time, the "Plan") [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the "Disclosure Statement") [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") entered on _____, 2020 [Docket No. ____] (the "Disclosure Statement Order"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC
+1 (877) 499-4509 (Domestic)
+1 (917) 281-4800 (International)
Email: **VerityInfo@kccllc.com**

This Master Ballot may not be used for any purpose other than to vote to accept or reject the Plan. This Master Ballot does not constitute, and shall not be deemed to be, a proof of claim or an assertion or admission of a claim. If you believe you have received this Master Ballot in error, please contact KCC at the address or telephone number set forth above.

Additionally, copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court's website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Master Ballot to the following address so that it is **received** by the deadline indicated above:

By U.S. First Class Mail, Overnight Mail or Hand Delivery to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (877) 499-4509 (Domestic)
+1 (917) 281-4800 (International)

By Email: **VerityInfo@kccllc.com**

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court's website). Documents may also be accessed at KCC's website: <https://www.kccllc.net/verityhealth>.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1, 2, 3 AND 4. IF THIS MASTER BALLOT IS NOT SIGNED ON THE
APPROPRIATE LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN
CAST.

If KCC does not actually receive this signed and completed Master Ballot on or before the Voting Deadline, **which is July 30, 2020 at 4:00 p.m. (Pacific Time)** and if the Voting Deadline is not extended, the votes transmitted by such Master Ballot may not be included in the tabulation. **If the Court confirms the Plan, it will bind you regardless of whether you vote.**

Item 1. Certification of Authority to Vote.

The undersigned certifies that, as of the Voting Record Date, the undersigned (please check the applicable box):

- ☐ is a broker, bank, or other Nominee for the beneficial holders (“Beneficial Holders”) of the aggregate principal amount of the Class 3 Secured Revenue 2015 Notes Claims listed in Item 2 below and is the record holder of such bonds; or
- ☐ is acting under a power of attorney and/or agency agreement (a copy of which will be provided upon request) granted by a broker, bank, or other nominee that is the registered holder of the aggregate principal amount of Class 3 Secured Revenue 2015 Notes Claims listed in Item 2 below; or
- ☐ has been granted a proxy (an original of which is attached hereto) from a broker, bank, other nominee, or a Beneficial Holder, that is the registered holder of the aggregate principal amount of Class 3 Secured Revenue 2015 Notes Claims listed in Item 2 below

and, accordingly, has full power and authority to vote to accept or reject the Plan on behalf of the beneficial holders of the Class 3 Secured Revenue 2015 Notes Claims described in Item 2 below.

Item 2. Vote on Class 3 Secured Revenue 2015 Notes Claims.

The undersigned transmits the following votes of Beneficial Holders of Class 3 Secured Revenue 2015 Notes Claims against the Debtors and certifies that the following Beneficial Holders of Class 3 Secured Revenue 2015 Notes Claims, as identified by their respective customer account numbers set forth below, are Beneficial Holders of such securities as of the Voting Record Date and have delivered to the undersigned, as Nominee, Ballots casting such votes.

Below please indicate in the appropriate column the aggregate principal amount voted for each account or attach such information to this Master Ballot in the form of the following table. Please note that each Beneficial Holder must vote all such Beneficial Holder’s Class 3 Secured Revenue 2015 Notes Claims to accept or reject the Plan and may not split such vote. Any Ballot executed by the Beneficial Holder that does not indicate an acceptance or rejection of the Plan or that indicates both an acceptance and a rejection of the Plan will not be counted as a vote on the Plan.

ITEM 2-VOTE ON PLAN OF LIQUIDATION		
Your Customer Account Number for Each Beneficial Holder of Voting Class 3 Secured Revenue 2015 Notes Claims	Principal Amount of Class 3 Secured Revenue 2015 Notes Claims ACCEPT	Principal Amount of Class 3 Secured Revenue 2015 Notes Claims REJECT
	\$	\$

ITEM 2-VOTE ON PLAN OF LIQUIDATION		
Your Customer Account Number for Each Beneficial Holder of Voting Class 3 Secured Revenue 2015 Notes Claims	Principal Amount of Class 3 Secured Revenue 2015 Notes Claims ACCEPT	Principal Amount of Class 3 Secured Revenue 2015 Notes Claims REJECT
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
TOTAL:	\$	\$

Item 3. Certification as to Transcription of Information from Item 3 of the Ballots as to Class 3 Secured Revenue 2015 Notes Claims Voted through Other Ballots.

The undersigned certifies that the undersigned has transcribed in the following table the information, if any, provided by the Beneficial Holders in Item 3 of each of the Beneficial Holder's original Ballots, identifying any Class 3 Secured Revenue 2015 Notes Claims for which such Beneficial Holders have submitted other Ballots other than to the undersigned:

Your Customer Account Number for Each Beneficial Holder Who Completed Item 3 of the Ballots	TRANSCRIBE FROM ITEM 3 OF THE BALLOTS:			
	Account Number of Other Class 3 Secured Revenue 2015 Notes Claims Voted	Name of Owner	Principal Amount of Other Class 3 Secured Revenue 2015 Notes Claims Voted	CUSIP of Other Class 3 Secured Revenue 2015 Notes Claims Voted
1.				
2.				
3.				
4.				

Your Customer Account Number for Each Beneficial Holder Who Completed Item 3 of the Ballots	TRANSCRIBE FROM ITEM 3 OF THE BALLOTS:			
	Account Number of Other Class 3 Secured Revenue 2015 Notes Claims Voted	Name of Owner	Principal Amount of Other Class 3 Secured Revenue 2015 Notes Claims Voted	CUSIP of Other Class 3 Secured Revenue 2015 Notes Claims Voted
5.				
6.				
7.				
8.				
9.				
10.				

Item 4. Certification.

By signing this Master Ballot, the undersigned certifies that:

1. It has received a copy of the Ballots and the Solicitation Package and has delivered the same to the Beneficial Holders listed on the Ballots;
2. It has received a completed and signed Ballot from each Beneficial Holder listed in Item 2 of this Master Ballot
3. It is the registered holder of the securities being voted;
4. It has been authorized by each such Beneficial Holder to vote on the Plan or the releases provided in the Plan;
5. It has properly disclosed: (i) the number of Beneficial Holders who completed Ballots; (ii) the respective amounts of the Class 3 Secured Revenue 2015 Notes Claims voted, as the case may be, by each Beneficial Holder who completed a Ballot; (iii) each such Beneficial Holder's respective vote concerning the Plan or releases provided in the Plan; (iv) each such Beneficial Holder's certification as to other Class 3 Secured Revenue 2015 Notes Claims voted; and (v) the customer account or other identification number for each such Beneficial Holder; and
6. Each such Beneficial Holder has certified to the undersigned that it is eligible to vote on the Plan and it will maintain Ballots and evidence of separate transactions returned by Beneficial Holders (whether properly completed or defective) for at least one year after the Effective Date and disclose all such information to the Bankruptcy Court, the Debtors or Wind Down Entity, as the case may be, if so ordered.

Name of Nominee: _____
(Print or Type)

Name of Proxy Holder or Agent for Nominee: _____
(Print or Type)

Participant Number: _____

Signature: _____

Name of Signatory: _____
(Print or Type)

Title: _____

Address: _____

Email Address: _____

Date Completed: _____

**PLEASE COMPLETE, SIGN, AND DATE THIS
MASTER BALLOT AND RETURN IT PROMPTLY TO:**

If by First Class Mail, Hand Delivery, Overnight Mail, or Email to:

**Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (877) 499-4509 (Domestic)
+1 (917) 281-4800 (International)**

Via Email: VerityInfo@kccllc.com

**YOUR MASTER BALLOT MUST BE RECEIVED BY THE VOTING DEADLINE, WHICH IS 4:00 P.M.
PREVAILING PACIFIC STANDARD TIME ON JULY 30, 2020.**

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

Complete the Ballot by providing all the information requested and sign, date and return the Master Ballot to the Balloting Agent by *ONLY ONE* of the following approved methods:

By U.S. First Class Mail, Hand Delivery, Overnight Mail or E-Mail:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (877) 499-4509 (Domestic)
+1 (917) 281-4800 (International)

Via Email: VerityInfo@kcellc.com

INSTRUCTIONS FOR COMPLETING MASTER BALLOT

1. The Debtors are soliciting the votes of holders of Claims with respect to the Plan [attached as **Exhibit A** to the Disclosure Statement]. Capitalized terms used in the Master Ballot or in these instructions but not otherwise defined in the Master Ballot or these instructions shall have the meanings set forth in the Plan or Disclosure Statement.
2. The Bankruptcy Court may confirm the Plan and thereby bind Beneficial Holders of Claims, if, among other things, the Plan is confirmed. Please review the Disclosure Statement for more information.
3. You should immediately distribute the Ballots and the Solicitation Package to all Beneficial Holders of Claims and take any action required to enable each such Beneficial Holder to timely vote the Claims that it holds. Any Ballot returned to you by a Beneficial Holder of a Claim shall not be counted for purposes of accepting or rejecting the Plan until you properly complete and deliver, to KCC, a Master Ballot that reflects the vote of such Beneficial Holders by 4:00 p.m. Pacific Time on July 30, 2020, or otherwise validate the Ballot in a manner acceptable to KCC.
4. With regard to any Ballots returned to you by a Beneficial Holder, you must: (a) compile and validate the votes and other relevant information of each such Beneficial Holder on the Master Ballot using the customer name or account number assigned by you to each such Beneficial Holder; (b) execute the Master Ballot; (c) transmit such Master Ballot to KCC by the Voting Deadline; and (d) retain such Ballots in your files for a period of one year after the Effective Date of the Plan. You may be ordered to produce the Ballots to the Bankruptcy Court, the Debtors, or the Liquidating Trustee, as applicable.
5. If a Master Ballot is received after the Voting Deadline, it will not be counted unless the Debtors determine otherwise. The method of delivery of Master Ballots to KCC is at the election and risk of each Entity. Except as otherwise provided herein, such delivery will be deemed made only when KCC actually receives the executed Master Ballot. Instead of effecting delivery by mail, it is recommended, though not required, that Entities use an overnight or hand delivery service if submitting a hard copy Master Ballot. In all cases, Entities should allow sufficient time to assure timely delivery. No Master Ballot should be sent to any of the Debtors, the Debtors' agents (other than KCC), any Class 3 Secured Revenue 2015 Notes Claims Trustees or the Debtor's financial or legal advisors and if so sent will not be counted.
6. If multiple Master Ballots are received from the same Nominee with respect to the same Ballot belonging to a Beneficial Holder of a Claim prior to the Voting Deadline, the last Master Ballot timely received will supersede and revoke any earlier dated Master Ballot.
7. This Master Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan or, alternatively, the releases provided in the Plan and make certifications with respect to the

Ballots. Accordingly, at this time, holders of Claims should not surrender certificates or instruments representing their Claims and you should not accept delivery of any such certificates or instruments surrendered together with a Ballot.

8. This Master Ballot does not constitute, and shall not be deemed to be: (a) a Proof of Claim; or (b) an assertion or admission of a Claim.
9. Please be sure to sign and date your Master Ballot (original and PDF signatures are acceptable). You should indicate that you are signing a Master Ballot in your capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation or otherwise acting in a fiduciary or representative capacity and, if required or requested by KCC, the Debtors, or the Bankruptcy Court, must submit proper evidence to the requesting party to so act on behalf of such Beneficial Holder. In addition, please provide your name and mailing address if it is different from that set forth on the attached mailing label or if no such mailing label is attached to the Master Ballot.
10. If you are both the Nominee and the Beneficial Holder of any of the Class 3 Secured Revenue 2015 Notes Claims and you wish to vote such Class 3 Secured Revenue 2015 Notes Claims, you may return a Ballot or Master Ballot for such Class 3 Secured Revenue 2015 Notes Claims.
11. The following Ballots and Master Ballots shall not be counted in determining the acceptance or rejection of the Plan: (a) any Ballot or Master Ballot that is illegible or contains insufficient information to permit the identification of the claimant; (b) any Ballot or Master Ballot cast by a Party that does not hold a Claim in a Class that is entitled to vote on the Plan; (c) any Ballot or Master Ballot cast by a Person that does not hold a Claim in a Class that is entitled to vote to accept or reject the Plan; (d) any Ballot or Master Ballot cast for a scheduled Claim designated or determined as unliquidated, contingent, or disputed or as zero or unknown in amount, no timely proof of claim was filed, and for which no 3018(a) Motion has been Filed by the 3018(a) Motion Deadline; (e) any Ballot or Master Ballot timely received that is cast in a manner that indicates neither acceptance nor rejection of the Plan or that indicates both acceptance and rejection of the Plan; (f) any Ballot or Master Ballot received by the Balloting Agent after the Voting Deadline, unless the Debtors agree in writing to an extension of such deadline; (g) any Ballot or Master Ballot not bearing an original or facsimile signature; and (h) any Ballot or Master Ballot that partially rejects and partially accepts the Plan.
12. If you believe that you have received this Master Ballot in error, please contact KCC immediately.
13. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
14. PLEASE RETURN YOUR MASTER BALLOT PROMPTLY. KCC WILL NOT ACCEPT BALLOTS BY MEANS NOT SPECIFICALLY APPROVED BY THE BANKRUPTCY COURT, MAY BE ACCEPTED BY THE MOVANTS ON A CASE-BY-CASE BASIS.
15. IF YOU HAVE RECEIVED A DAMAGED MASTER BALLOT, HAVE LOST YOUR MASTER BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS MASTER BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE VOTING AGENT AT:

Kurtzman Carson Consulting LLC
+1 (877) 499-4509 (Domestic)
+1 (917) 281-4800 (International)

DO NOT CONTACT THE DEBTORS OR VOTING AGENT FOR LEGAL ADVICE. THE DEBTORS AND THE VOTING AGENT CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) **Other Injunctions.** The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "**Released Parties**" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "**Committee**" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

PLEASE SUBMIT YOUR MASTER BALLOT PROMPTLY!

IF YOU HAVE ANY QUESTIONS REGARDING THIS MASTER BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT KCC BY: (A) CALLING KCC AT +1 (877) 499-4509 (DOMESTIC) OR +1 (917) 281-4800 (INTERNATIONAL), OR (B) BY EMAIL TO VERITYINFO@KCCLLC.COM AND INCLUDE "VERITY" IN THE SUBJECT LINE.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL RENDER YOU OR ANY OTHER ENTITY THE AGENT OF THE DEBTORS OR THE SECURITIES VOTING AGENT OR AUTHORIZE YOU OR ANY OTHER ENTITY TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF ANY OF THE DEBTORS WITH RESPECT TO THE PLAN, EXCEPT FOR THE STATEMENTS CONTAINED IN THE DOCUMENTS ENCLOSED HERewith.

Exhibit 1

Please check a box below to indicate the CUSIP/ISIN to which this Class 3 Master Ballot pertains:

Class 3 Secured Revenue 2015 Notes Claims		
<input type="checkbox"/>	California Public Finance Authority Revenue - Verity Health Systems Series A	13057E AA 2
<input type="checkbox"/>	California Public Finance Authority Revenue - Verity Health Systems Series B	13057E AB 0
<input type="checkbox"/>	California Public Finance Authority Revenue - Verity Health Systems Series C	13057E AC 8
<input type="checkbox"/>	California Public Finance Authority Revenue - Verity Health Systems Series D	13057E AD 6

Class 4 (Beneficial Ballot For Secured 2005 Revenue Bond Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

- ☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood
Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**BENEFICIAL BALLOT FOR VOTING TO ACCEPT
OR REJECT THE AMENDED JOINT CHAPTER 11
PLAN OF LIQUIDATION**

CLASS 4 Secured 2005 Revenue Bond Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**YOU MUST FOLLOW THE DIRECTIONS OF YOUR NOMINEE TO CAST YOUR
VOTE AND ALLOW SUFFICIENT TIME FOR YOUR NOMINEE TO RECEIVE
YOUR VOTE AND TRANSMIT SUCH VOTE ON A MASTER BALLOT, WHICH
MASTER BALLOT MUST BE RETURNED TO THE BALLOTING AGENT BY THE
VOTING DEADLINE IN ORDER FOR YOUR VOTE TO BE COUNTED.**

This ballot (the "Ballot") is submitted to you to solicit your vote to accept or reject the Amended Joint Chapter 11 Plan of Liquidation (including all exhibits thereto and as amended, modified or supplemented from time to time, the "Plan") [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the "Disclosure Statement") [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") entered on _____, 2020 [Docket No. ____] (the "Disclosure Statement Order"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot.

Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC (“KCC”)
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)
Email: VerityInfo@kccllc.com

Additionally, copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court’s website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “Bankruptcy Code”). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Ballot to your Nominee in sufficient time for your Nominee to include your vote on a Master Ballot that must be received by KCC on or before the Voting Deadline, which is **July 30, 2020 at 4:00 PM (Pacific Time)**.

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court’s website). Documents may also be accessed at KCC’s website: <https://www.kccllc.net/verityhealth>.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1, 2, 3 AND 4. IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE
LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN CAST.

Item 1. Principal Amount of Class 4 Secured 2005 Revenue Bond Claims

The undersigned hereby certifies that as of the voting record date, July 2, 2020, the undersigned holder was the beneficial owner (“Beneficial Holder”) of a Class 4 Secured 2005 Revenue Bond Claim in the following principal amount (insert amount in box below):

Principal Amount of Claim: \$ _____
--

Item 2. Vote on Plan

The Beneficial Holder of the Class 4 Secured 2005 Revenue Bond Claims set forth in Item 1 votes to (please check one):

☐ **Accept** the Plan.

☐ **Reject** the Plan.

Item 3. Certification of Class 4 Secured 2005 Revenue Bond Claims Held in Additional Accounts.

By completing and returning this Ballot, the Beneficial Holder of Class 4 Secured 2005 Revenue Bond Claims identified in Item 1 certifies that (a) this Ballot is the only Ballot submitted for the Class 4 Secured 2005 Revenue Bond Claims owned by such Beneficial Holder as indicated in Item 1, except for the Class 4 Secured 2005 Revenue Bond Claims identified in the following table, and (b) all Ballots for Class 4 Secured 2005 Revenue Bond Claims submitted by the Beneficial Holder indicate the same vote to accept or reject the Plan that the Beneficial Holder has indicated in Item 2 of this Ballot (please use additional sheets of paper if necessary). **To be clear, if any Beneficial Holder holds Class 4 Secured 2005 Revenue Bond Claims through one or more Nominees, such Beneficial Holder must identify all Class 4 Secured 2005 Revenue Bond Claims held through its own name and/or each Nominee in the following table, and must indicate the same vote to accept or reject the Plan on all Ballots submitted.**

ONLY COMPLETE ITEM 4 IF YOU HAVE SUBMITTED OTHER BALLOTS
ON ACCOUNT OF A CLASS 4 SECURED 2005 REVENUE BOND CLAIMS

Account Number of Other Class 4 Secured 2005 Revenue Bond Claims	Name of Owner ²	Principal Amount of Other Class 4 Secured 2005 Revenue Bond Claims Voted	CUSIP of Other Class 4 Secured 2005 Revenue Bond Claims Voted

Item 4. Certifications

By signing this Beneficial Ballot, the undersigned certifies that:

13. Either: (a) it is the holder of a Class 4 Secured 2005 Revenue Bond Claims being voted; or (b) it is an authorized signatory for an entity that is a Beneficial Holder of Class 4 Secured 2005 Revenue Bond Claims being voted;
14. It has received a copy of the Solicitation Package and acknowledges that the solicitation is being made pursuant to the terms and conditions set forth therein;
15. It has cast the same vote with respect to all Class 4 Secured 2005 Revenue Bond Claims;
16. No other Beneficial Ballots with respect to the amount of the Class 4 Secured 2005 Revenue Bond Claims identified in Item 1 have been cast or, if any other Beneficial Ballots have been cast with respect to such Claim(s), then any such Beneficial Ballots dated earlier are hereby revoked;
17. It acknowledges that a vote to accept the Plan constitutes an acceptance of the treatment of such Class 4 Secured 2005 Revenue Bond Claims;
18. It understands and, if accepting the Plan, agrees with the treatment provided for its Claim(s) under the Plan; and
19. It acknowledges and agrees that the Debtors may make conforming changes to the Plan to the extent provided by Bankruptcy Rule 3019 as may be reasonably necessary; provided, that the Debtors will not re-solicit acceptances or rejections of the Plan in the event of such conforming changes.

By signing this Ballot, the undersigned acknowledges receipt of the Disclosure Statement and the other applicable solicitation materials and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that an otherwise properly completed, executed and timely returned Ballot that does not indicate either acceptance or rejection of the Plan or indicates both acceptance and rejection of the Plan will not be counted.

² Insert your name if the Class 4 Secured 2005 Revenue Bond Claims are held by you in your own name or, if held in street name through a Nominee, insert the name of your broker or bank.

Name of Creditor

Signature

If by Authorized Agent, Name and Title

Name of Institution

Street Address

City, State, Zip Code

Telephone Number

Email Address

Date Completed

**YOUR COMPLETED BALLOT MUST BE SENT TO YOUR NOMINEE ALLOWING
SUFFICIENT TIME FOR YOUR NOMINEE TO RECEIVE YOUR BALLOT,
COMPLETE A MASTER BALLOT, AND TRANSMIT THE MASTER BALLOT TO
KCC SO THAT IT IS ACTUALLY RECEIVED BEFORE THE VOTING DEADLINE.**

**IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING
PROCEDURES, PLEASE CONTACT THE VOTING AGENT AT:**

Kurtzman Carson Consulting LLC
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)
Email: **VerityInfo@kccllc.com**

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

In the box provided in Item 2 of the Ballot, please indicate either acceptance or rejection of the Plan. Complete the Ballot by providing all the information requested in Items 1, 2, 3 and 4, and **sign, date and return the Ballot by following the directions provided by your Nominee for the return of Ballots.**

INSTRUCTIONS FOR COMPLETING BENEFICIAL BALLOTS

20. Capitalized terms used in the Beneficial Ballot or in these instructions (the “Beneficial Ballot Instructions”) but not otherwise defined in the Beneficial Ballots or these instructions shall have the meaning set forth in the Plan, the Disclosure Statement, or the Disclosure Statement Order.
21. The Court may confirm the Plan and thereby bind Beneficial Holders of Claims, if, among other things, the Plan is confirmed. Please review the Disclosure Statement for more information.
22. To ensure that your vote is counted, you must: (a) complete the Beneficial Ballot; (b) indicate your decision either to accept or reject the Plan in the boxes provided in the Beneficial Ballot; and (c) sign and return the Beneficial Ballot to your Nominee as instructed (original or facsimile signature is acceptable). The Voting Deadline for the receipt of Master Ballots by the Balloting Agent (Kurtzman Carson Consultants, LLC) is 4:00 p.m. (Pacific Time) on **July 30, 2020**. If you hold your securities in street name through a broker, bank or other Nominee, you should promptly return this ballot to your Nominee (or its agent), as specified. (You should not return your ballot to the Balloting Agent.) **Please allow sufficient time for your Nominee to process and forward your vote to the Balloting Agent by the Voting Deadline. If the Claims and Balloting Agent does not timely receive your vote, your vote will not count. Do not fax this ballot to the Balloting Agent.**
23. A Beneficial Ballot that partially rejects and partially accepts the Plan will not be counted. Further, if a Beneficial Holder has multiple Claims within the same Class, the Debtors may, in their discretion, aggregate the Claims of any particular Beneficial Holder within a Class for the purpose of counting votes.
24. This Beneficial Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan and make certifications with respect to the Ballots. Accordingly, at this time, holders of Claims should not surrender certificates or instruments representing their Claims and you should not accept delivery of any such certificates or instruments surrendered together with a Ballot.
25. This Beneficial Ballot does not constitute, and shall not be deemed to be: (a) a proof of claim; or (b) an assertion or admission of a Claim.
26. Please be sure to sign and date your Beneficial Ballot (original and facsimile signatures are acceptable). You should indicate that you are signing a Beneficial Ballot in your capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation or otherwise acting in a fiduciary or representative capacity and, if required or requested by KCC, the Debtors, or the Bankruptcy Court, must submit proper evidence to the requesting party to so act on behalf of such Beneficial Holder. In addition, please provide your name and mailing address if it is different from that set forth on the attached mailing label or if no such mailing label is attached to the Beneficial Ballot.
27. The following Beneficial Ballots shall not be counted in determining the acceptance or rejection of the Plan: (a) any Beneficial Ballot that is illegible or contains insufficient information to permit the identification of the claimant; (b) any Beneficial Ballot cast by a Party that does not hold a Claim in a Class that is entitled to vote on the Plan; (c) any Beneficial Ballot cast by a Person that does not hold a Claim in a Class that is entitled to vote to accept or reject the Plan; (d) any Beneficial Ballot cast for a scheduled Claim designated or determined as unliquidated, contingent, or disputed or as zero or unknown in amount, no timely proof of claim was filed, and for which no 3018(a) motion has been filed by the 3018(a) motion deadline; (e) any Beneficial Ballot timely received that is cast in a manner that indicates neither acceptance nor rejection of the Plan or that indicates both acceptance and rejection of the Plan; (f) any Beneficial Ballot received by the Balloting Agent after the Voting Deadline, unless the Debtors agree in writing to an extension of such deadline; (g) any Beneficial Ballot not

bearing an original or facsimile signature; and (h) any Beneficial Ballot that partially rejects and partially accepts the Plan will not be counted.

28. If you believe you have received this Beneficial Ballot in error, you should contact KCC immediately.
29. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
30. PLEASE RETURN YOUR BALLOT PROMPTLY AS INSTRUCTED BY YOUR NOMINEE .
31. IF YOU HAVE RECEIVED A DAMAGED BALLOT, HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE VOTING AGENT AT:

Kurtzman Carson Consulting LLC
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)
Email: VerityInfo@kccllc.com

DO NOT CONTACT THE DEBTORS OR VOTING AGENT FOR LEGAL ADVICE. THE DEBTORS AND THE VOTING AGENT CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities

whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) **Other Injunctions.** The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee,

the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "**Released Parties**" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "**Committee**" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

PLEASE SUBMIT YOUR BENEFICIAL
BALLOT TO YOUR VOTING NOMINEE PROMPTLY!

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, CONTACT KCC BY: (A) CALLING KCC AT +1 (888) 249-2741 (DOMESTIC) OR +1 (310) 751-2605 (INTERNATIONAL), OR (B) BY EMAIL TO VERITYINFO@KCCLLC.COM AND INCLUDE "VERITY" IN THE SUBJECT LINE.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL RENDER YOU OR ANY OTHER ENTITY THE AGENT OF THE DEBTORS OR THE AGENT OR AUTHORIZE YOU OR ANY OTHER ENTITY TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF ANY OF THE DEBTORS WITH RESPECT TO THE PLAN, EXCEPT FOR THE STATEMENTS CONTAINED IN THE DOCUMENTS ENCLOSED HERewith.

Exhibit 1

Your Nominee may have checked a box below to indicate the CUSIP/ISIN to which this Class 4 Beneficial Holder Ballot pertains, or otherwise provided that information to you on a label or schedule attached to the Beneficial Holder Ballot:

Class 4 2005 Secured Revenue Bond Claims		
<input type="checkbox"/>	Daughters of Charity Health System Series 2005A Bonds	130911 A8 3 / US130911A834
<input type="checkbox"/>	Daughters of Charity Health System Series 2005A Bonds	130911 A9 1 / US130911A917
<input type="checkbox"/>	Daughters of Charity Health System Series 2005A Bonds	130911 B2 5 / US130911B253
<input type="checkbox"/>	Daughters of Charity Health System Series 2005A Bonds	130911 B3 3 / US130911B337
<input type="checkbox"/>	Daughters of Charity Health System – St Francis Medical Center - 2005G Bonds	130911 C4 0 / US130911C400
<input type="checkbox"/>	Daughters of Charity Health System – St Francis Medical Center - 2005H Bonds	130911 C5 7 / US130911C574

Class 4 (Master Ballot For Secured 2005 Revenue Bond Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

- ☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood
Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**MASTER BALLOT FOR VOTING TO ACCEPT OR
REJECT THE AMENDED JOINT CHAPTER 11 PLAN
OF LIQUIDATION**

CLASS 4 Secured 2005 Revenue Bond Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**THIS MASTER BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING
AGENT, KURTZMAN CARSON CONSULTANTS, LLC ("KCC"), BY THIS
DEADLINE IN ORDER TO BE COUNTED.**

This ballot (the "Ballot") is submitted to you to solicit your vote to accept or reject the Amended Joint Chapter 11 Plan of Liquidation (including all exhibits thereto and as amended, modified or supplemented from time to time, the "Plan") [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the "Disclosure Statement") [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") entered on _____, 2020 [Docket No. ____] (the "Disclosure Statement Order"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC
+1 (877) 499-4509 (Domestic)
+1 (917) 281-4800 (International)
Email: **VerityInfo@kccllc.com**

This Master Ballot may not be used for any purpose other than to vote to accept or reject the Plan. This Master Ballot does not constitute, and shall not be deemed to be, a proof of claim or an assertion or admission of a claim. If you believe you have received this Master Ballot in error, please contact KCC at the address or telephone number set forth above.

Additionally, copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court's website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Master Ballot to the following address so that it is **received** by the deadline indicated above:

By U.S. First Class Mail, Overnight Mail or Hand Delivery to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (877) 499-4509 (Domestic)
+1 (917) 281-4800 (International)

By Email: **VerityInfo@kccllc.com**

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court's website). Documents may also be accessed at KCC's website: <https://www.kccllc.net/verityhealth>.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1, 2, 3 AND 4. IF THIS MASTER BALLOT IS NOT SIGNED ON THE
APPROPRIATE LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN
CAST.

If KCC does not actually receive this signed and completed Master Ballot on or before the Voting Deadline, **which is July 30, 2020 at 4:00 p.m. (Pacific Time)** and if the Voting Deadline is not extended, the votes transmitted by such Master Ballot may not be included in the tabulation. **If the Court confirms the Plan, it will bind you regardless of whether you vote.**

Item 1. Certification of Authority to Vote.

The undersigned certifies that, as of the Voting Record Date, the undersigned (please check the applicable box):

- ☐ is a broker, bank, or other Nominee for the beneficial holders (“Beneficial Holders”) of the aggregate principal amount of the Class 4 Secured 2005 Revenue Bond Claims listed in Item 2 below and is the record holder of such bonds; or
- ☐ is acting under a power of attorney and/or agency agreement (a copy of which will be provided upon request) granted by a broker, bank, or other nominee that is the registered holder of the aggregate principal amount of Class 4 Secured 2005 Revenue Bond Claims listed in Item 2 below; or
- ☐ has been granted a proxy (an original of which is attached hereto) from a broker, bank, other nominee, or a Beneficial Holder, that is the registered holder of the aggregate principal amount of Class 4 Secured 2005 Revenue Bond Claims listed in Item 2 below

and, accordingly, has full power and authority to vote to accept or reject the Plan on behalf of the beneficial holders of the Class 4 Secured 2005 Revenue Bond Claims described in Item 2 below.

Item 2. Vote on Class 4 Secured 2005 Revenue Bond Claims.

The undersigned transmits the following votes of Beneficial Holders of Class 4 Secured 2005 Revenue Bond Claims against the Debtors and certifies that the following Beneficial Holders of Class 4 Secured 2005 Revenue Bond Claims, as identified by their respective customer account numbers set forth below, are Beneficial Holders of such securities as of the Voting Record Date and have delivered to the undersigned, as Nominee, Ballots casting such votes.

Below please indicate in the appropriate column the aggregate principal amount voted for each account or attach such information to this Master Ballot in the form of the following table. Please note that each Beneficial Holder must vote all such Beneficial Holder’s Class 4 Secured 2005 Revenue Bond Claims to accept or reject the Plan and may not split such vote. Any Ballot executed by the Beneficial Holder that does not indicate an acceptance or rejection of the Plan or that indicates both an acceptance and a rejection of the Plan will not be counted as a vote on the Plan.

ITEM 2-VOTE ON PLAN OF LIQUIDATION		
Your Customer Account Number for Each Beneficial Holder of Voting Class 4 Secured 2005 Revenue Bond Claims	Principal Amount of Class 4 Secured 2005 Revenue Bond Claims ACCEPT	Principal Amount of Class 4 Secured 2005 Revenue Bond Claims REJECT
	\$	\$

ITEM 2-VOTE ON PLAN OF LIQUIDATION		
Your Customer Account Number for Each Beneficial Holder of Voting Class 4 Secured 2005 Revenue Bond Claims	Principal Amount of Class 4 Secured 2005 Revenue Bond Claims ACCEPT	Principal Amount of Class 4 Secured 2005 Revenue Bond Claims REJECT
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
TOTAL:	\$	\$

Item 3. Certification as to Transcription of Information from Item 3 of the Ballots as to Class 4 Secured 2005 Revenue Bond Claims Voted through Other Ballots.

The undersigned certifies that the undersigned has transcribed in the following table the information, if any, provided by the Beneficial Holders in Item 3 of each of the Beneficial Holder's original Ballots, identifying any Class 4 Secured 2005 Revenue Bond Claims for which such Beneficial Holders have submitted other Ballots other than to the undersigned:

Your Customer Account Number for Each Beneficial Holder Who Completed Item 3 of the Ballots	TRANSCRIBE FROM ITEM 3 OF THE BALLOTS:			
	Account Number of Other Class 4 Secured 2005 Revenue Bond Claims Voted	Name of Owner	Principal Amount of Other Class 4 Secured 2005 Revenue Bond Claims Voted	CUSIP of Other Class 4 Secured 2005 Revenue Bond Claims Voted
1.				
2.				
3.				
4.				

Your Customer Account Number for Each Beneficial Holder Who Completed Item 3 of the Ballots	TRANSCRIBE FROM ITEM 3 OF THE BALLOTS:			
	Account Number of Other Class 4 Secured 2005 Revenue Bond Claims Voted	Name of Owner	Principal Amount of Other Class 4 Secured 2005 Revenue Bond Claims Voted	CUSIP of Other Class 4 Secured 2005 Revenue Bond Claims Voted
5.				
6.				
7.				
8.				
9.				
10.				

Item 4. Certification.

By signing this Master Ballot, the undersigned certifies that:

1. It has received a copy of the Ballots and the Solicitation Package and has delivered the same to the Beneficial Holders listed on the Ballots;
2. It has received a completed and signed Ballot from each Beneficial Holder listed in Item 2 of this Master Ballot
3. It is the registered holder of the securities being voted;
4. It has been authorized by each such Beneficial Holder to vote on the Plan or the releases provided in the Plan;
5. It has properly disclosed: (i) the number of Beneficial Holders who completed Ballots; (ii) the respective amounts of the Class 4 Secured 2005 Revenue Bond Claims voted, as the case may be, by each Beneficial Holder who completed a Ballot; (iii) each such Beneficial Holder's respective vote concerning the Plan or releases provided in the Plan; (iv) each such Beneficial Holder's certification as to other Class 4 Secured 2005 Revenue Bond Claims voted; and (v) the customer account or other identification number for each such Beneficial Holder; and
6. Each such Beneficial Holder has certified to the undersigned that it is eligible to vote on the Plan and it will maintain Ballots and evidence of separate transactions returned by Beneficial Holders (whether properly completed or defective) for at least one year after the Effective Date and disclose all such information to the Bankruptcy Court, the Debtors or Wind Down Entity, as the case may be, if so ordered.

Name of Nominee: _____
(Print or Type)

Name of Proxy Holder or Agent for Nominee: _____
(Print or Type)

Participant Number: _____

Signature: _____

Name of Signatory: _____
(Print or Type)

Title: _____

Address: _____

Email Address: _____

Date Completed: _____

**PLEASE COMPLETE, SIGN, AND DATE THIS
MASTER BALLOT AND RETURN IT PROMPTLY TO:**

If by First Class Mail, Hand Delivery, Overnight Mail, or Email to:

**Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (877) 499-4509 (Domestic)
+1 (917) 281-4800 (International)**

Via Email: VerityInfo@kccllc.com

**YOUR MASTER BALLOT MUST BE RECEIVED BY THE VOTING DEADLINE, WHICH IS 4:00 P.M.
PREVAILING PACIFIC STANDARD TIME ON JULY 30, 2020.**

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

Complete the Ballot by providing all the information requested and sign, date and return the Master Ballot to the Balloting Agent by *ONLY ONE* of the following approved methods:

By U.S. First Class Mail, Hand Delivery, Overnight Mail or E-Mail:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (877) 499-4509 (Domestic)
+1 (917) 281-4800 (International)

Via Email: VerityInfo@kcellc.com

INSTRUCTIONS FOR COMPLETING MASTER BALLOT

13. The Debtors are soliciting the votes of holders of Claims with respect to the Plan [attached as **Exhibit A** to the Disclosure Statement]. Capitalized terms used in the Master Ballot or in these instructions but not otherwise defined in the Master Ballot or these instructions shall have the meanings set forth in the Plan or Disclosure Statement.
14. The Bankruptcy Court may confirm the Plan and thereby bind Beneficial Holders of Claims, if, among other things, the Plan is confirmed. Please review the Disclosure Statement for more information.
15. You should immediately distribute the Ballots and the Solicitation Package to all Beneficial Holders of Claims and take any action required to enable each such Beneficial Holder to timely vote the Claims that it holds. Any Ballot returned to you by a Beneficial Holder of a Claim shall not be counted for purposes of accepting or rejecting the Plan until you properly complete and deliver, to KCC, a Master Ballot that reflects the vote of such Beneficial Holders by 4:00 p.m. Pacific Time on July 30, 2020, or otherwise validate the Ballot in a manner acceptable to KCC.
16. With regard to any Ballots returned to you by a Beneficial Holder, you must: (a) compile and validate the votes and other relevant information of each such Beneficial Holder on the Master Ballot using the customer name or account number assigned by you to each such Beneficial Holder; (b) execute the Master Ballot; (c) transmit such Master Ballot to KCC by the Voting Deadline; and (d) retain such Ballots in your files for a period of one year after the Effective Date of the Plan. You may be ordered to produce the Ballots to the Bankruptcy Court, the Debtors, or the Liquidating Trustee, as applicable.
17. If a Master Ballot is received after the Voting Deadline, it will not be counted unless the Debtors determine otherwise. The method of delivery of Master Ballots to KCC is at the election and risk of each Entity. Except as otherwise provided herein, such delivery will be deemed made only when KCC actually receives the executed Master Ballot. Instead of effecting delivery by mail, it is recommended, though not required, that Entities use an overnight or hand delivery service if submitting a hard copy Master Ballot. In all cases, Entities should allow sufficient time to assure timely delivery. No Master Ballot should be sent to any of the Debtors, the Debtors' agents (other than KCC), any Class 4 Secured 2005 Revenue Bond Claims Trustees or the Debtor's financial or legal advisors and if so sent will not be counted.
18. If multiple Master Ballots are received from the same Nominee with respect to the same Ballot belonging to a Beneficial Holder of a Claim prior to the Voting Deadline, the last Master Ballot timely received will supersede and revoke any earlier dated Master Ballot.
19. This Master Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan or, alternatively, the releases provided in the Plan and make certifications with respect to the

Ballots. Accordingly, at this time, holders of Claims should not surrender certificates or instruments representing their Claims and you should not accept delivery of any such certificates or instruments surrendered together with a Ballot.

20. This Master Ballot does not constitute, and shall not be deemed to be: (a) a Proof of Claim; or (b) an assertion or admission of a Claim.
21. Please be sure to sign and date your Master Ballot (original and PDF signatures are acceptable). You should indicate that you are signing a Master Ballot in your capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation or otherwise acting in a fiduciary or representative capacity and, if required or requested by KCC, the Debtors, or the Bankruptcy Court, must submit proper evidence to the requesting party to so act on behalf of such Beneficial Holder. In addition, please provide your name and mailing address if it is different from that set forth on the attached mailing label or if no such mailing label is attached to the Master Ballot.
22. If you are both the Nominee and the Beneficial Holder of any of the Class 4 Secured 2005 Revenue Bond Claims and you wish to vote such Class 4 Secured 2005 Revenue Bond Claims, you may return a Ballot or Master Ballot for such Class 4 Secured 2005 Revenue Bond Claims.
23. The following Ballots and Master Ballots shall not be counted in determining the acceptance or rejection of the Plan: (a) any Ballot or Master Ballot that is illegible or contains insufficient information to permit the identification of the claimant; (b) any Ballot or Master Ballot cast by a Party that does not hold a Claim in a Class that is entitled to vote on the Plan; (c) any Ballot or Master Ballot cast by a Person that does not hold a Claim in a Class that is entitled to vote to accept or reject the Plan; (d) any Ballot or Master Ballot cast for a scheduled Claim designated or determined as unliquidated, contingent, or disputed or as zero or unknown in amount, no timely proof of claim was filed, and for which no 3018(a) Motion has been Filed by the 3018(a) Motion Deadline; (e) any Ballot or Master Ballot timely received that is cast in a manner that indicates neither acceptance nor rejection of the Plan or that indicates both acceptance and rejection of the Plan; (f) any Ballot or Master Ballot received by the Balloting Agent after the Voting Deadline, unless the Debtors agree in writing to an extension of such deadline; (g) any Ballot or Master Ballot not bearing an original or facsimile signature; and (h) any Ballot or Master Ballot that partially rejects and partially accepts the Plan.
24. If you believe that you have received this Master Ballot in error, please contact KCC immediately.
13. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
14. PLEASE RETURN YOUR MASTER BALLOT PROMPTLY. KCC WILL NOT ACCEPT BALLOTS BY MEANS NOT SPECIFICALLY APPROVED BY THE BANKRUPTCY COURT, MAY BE ACCEPTED BY THE MOVANTS ON A CASE-BY-CASE BASIS.
15. IF YOU HAVE RECEIVED A DAMAGED MASTER BALLOT, HAVE LOST YOUR MASTER BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS MASTER BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE VOTING AGENT AT:

Kurtzman Carson Consulting LLC
+1 (877) 499-4509 (Domestic)
+1 (917) 281-4800 (International)

DO NOT CONTACT THE DEBTORS OR VOTING AGENT FOR LEGAL ADVICE. THE DEBTORS AND THE VOTING AGENT CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) **Other Injunctions.** The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "**Released Parties**" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "**Committee**" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

PLEASE SUBMIT YOUR MASTER BALLOT PROMPTLY!

IF YOU HAVE ANY QUESTIONS REGARDING THIS MASTER BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT KCC BY: (A) CALLING KCC AT +1 (877) 499-4509 (DOMESTIC) OR +1 (917) 281-4800 (INTERNATIONAL), OR (B) BY EMAIL TO VERITYINFO@KCCLLC.COM AND INCLUDE "VERITY" IN THE SUBJECT LINE.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL RENDER YOU OR ANY OTHER ENTITY THE AGENT OF THE DEBTORS OR THE SECURITIES VOTING AGENT OR AUTHORIZE YOU OR ANY OTHER ENTITY TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF ANY OF THE DEBTORS WITH RESPECT TO THE PLAN, EXCEPT FOR THE STATEMENTS CONTAINED IN THE DOCUMENTS ENCLOSED HERewith.

Exhibit 1

Please check a box below to indicate the CUSIP/ISIN to which this Class 4 Master Ballot pertains:

Class 4 (2005 Secured Revenue Bond Claims)		
<input type="checkbox"/>	Daughters of Charity Health System Series 2005A Bonds	130911 A8 3 / US130911A834
<input type="checkbox"/>	Daughters of Charity Health System Series 2005A Bonds	130911 A9 1 / US130911A917
<input type="checkbox"/>	Daughters of Charity Health System Series 2005A Bonds	130911 B2 5 / US130911B253
<input type="checkbox"/>	Daughters of Charity Health System Series 2005A Bonds	130911 B3 3 / US130911B337
<input type="checkbox"/>	Daughters of Charity Health System – St Francis Medical Center - 2005G Bonds	130911 C4 0 / US130911C400
<input type="checkbox"/>	Daughters of Charity Health System – St Francis Medical Center - 2005H Bonds	130911 C5 7 / US130911C574

Class 5 (Secured MOB 1 Financing Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

- ☒ Affects All Debtors
- ☐ Affects Verity Health System of California, Inc.
- ☐ Affects O'Connor Hospital
- ☐ Affects Saint Louise Regional Hospital
- ☐ Affects St. Francis Medical Center
- ☐ Affects St. Vincent Medical Center
- ☐ Affects Seton Medical Center
- ☐ Affects O'Connor Hospital Foundation
- ☐ Affects Saint Louise Regional Hospital Foundation
- ☐ Affects St. Francis Medical Center of Lynwood
Foundation
- ☐ Affects St. Vincent Foundation
- ☐ Affects St. Vincent Dialysis Center, Inc.
- ☐ Affects Seton Medical Center Foundation
- ☐ Affects Verity Business Services
- ☐ Affects Verity Medical Foundation
- ☐ Affects Verity Holdings, LLC
- ☐ Affects De Paul Ventures, LLC
- ☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**BALLOT FOR VOTING TO ACCEPT OR REJECT
THE AMENDED JOINT CHAPTER 11 PLAN OF
LIQUIDATION**

CLASS 5 Secured MOB 1 Financing Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT,
KURTZMAN CARSON CONSULTANTS, LLC ("KCC"), BY THIS DEADLINE IN
ORDER TO BE COUNTED.**

This ballot (the "Ballot") is submitted to you to solicit your vote to accept or reject the *Amended Joint Chapter 11 Plan of Liquidation* (including all exhibits thereto and as amended, modified or supplemented from time to time, the "Plan") [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the "Disclosure Statement") [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") entered on _____, 2020 [Docket No. ____] (the "Disclosure Statement Order"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

Additionally, copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court's website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Ballot to the following address so that it is **received** by the deadline indicated above:

- By U.S. First Class Mail, Overnight Mail or Hand Delivery to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Or, in the alternative, by submitting your Ballot via the Balloting Agent's online balloting portal, as explained at page 4 of this ballot.

Ballots transmitted to anyone other than KCC, above, and/or by facsimile, electronic mail or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants² on a case-by-case basis.

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court's website). Documents may also be accessed at KCC's website: <https://www.kccllc.net/verityhealth>.

² The Movants are the Debtors, UMB Bank, N.A., as Master Indenture Trustee, and Wells Fargo Bank, National Association, as Indenture Trustee for 2005 Bonds.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1 AND 2. IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE
LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN CAST.

Item 1. Class Vote. The undersigned, a holder of a Class 5 Claim in the voting amount indicated below, votes to
(check one box only):

☐ **Accept** the Plan.

☐ **Reject** the Plan.

Voting Amount \$ _____³

Item 2. Acknowledgments. By signing this Ballot, the undersigned acknowledges receipt of the Disclosure Statement and the other applicable solicitation materials and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that an otherwise properly completed, executed and timely returned Ballot that does not indicate either acceptance or rejection of the Plan or indicates both acceptance and rejection of the Plan will not be counted.

Name of Creditor

Signature

If by Authorized Agent, Name and Title

Name of Institution

Street Address

City, State, Zip Code

Telephone Number

Email Address

Date Completed

³ For voting purposes only, subject to the tabulation rules (“Tabulation Rules”).

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

- (a) **In the boxes provided in Item 1 of the Ballot, please indicate either acceptance or rejection of the Plan.** Complete the Ballot by providing all the information requested in Items 1 and 2, and sign, date and return the Ballot to the Debtors by ONLY ONE of the following approved return methods:

- By U.S. First Class Mail or Hand Delivery or Overnight Mail to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Alternatively, to submit your Ballot via the Balloting Agent's online balloting portal, visit <http://www.kccllc.net/verityhealth>. Click on the "Submit E-Ballot" section of the website and follow the instructions to submit your Ballot.

IMPORTANT NOTE: You will need the following information to retrieve and submit your customized electronic Ballot:

Unique E-Ballot ID#: _____

The Balloting Agent's online balloting portal is the sole manner in which Ballots will be accepted via electronic or online transmission.

Each E-Ballot ID# is to be used solely for voting only those Claims described in Item 1 of your electronic Ballot. Please complete and submit an electronic Ballot for each E-Ballot ID# you receive, as applicable. Creditors who cast a Ballot using the Notice and Claims Agent's online portal should NOT also submit a paper Ballot.

- (b) **Ballots must be received by KCC on or before July 30, 2020 at 4:00 p.m. (Pacific Time)** (the "Voting Deadline"). If a Ballot is received after the Voting Deadline, it will not be counted (even if post-marked prior to the Voting Deadline), except in the Debtors' discretion with the consent of the Committee. An envelope addressed to KCC is enclosed for your convenience (which address may differ from the address above). Ballots transmitted to anyone other than KCC, above, and/or transmitted to KCC by facsimile, electronic mail, or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants on a case-by-case basis. If neither the "accept" nor "reject" box is checked in Item 1 for an otherwise properly completed, executed and timely returned Ballot, the Ballot will not be counted.
- (c) You must vote all your Claims within a single Class under the Plan either to accept or reject the Plan. Accordingly, if you return more than one Ballot voting different Claims within a single Class under the Plan and the Ballots are not voted in the same manner, those Ballots will not be counted. An otherwise properly executed Ballot that attempts to partially accept and partially reject the Plan likewise will not be counted. Further, inconsistent duplicate Ballots with respect to the same claim shall not be counted.
- (d) Your Claim has been temporarily allowed solely for purposes of voting to accept or reject the Plan in accordance with certain Tabulation Rules approved by the Bankruptcy Court. The Tabulation Rules are set forth in the Disclosure Statement Order. The temporary allowance of claims for voting purposes does not constitute an allowance of claims for purposes of distribution under the Plan and is without prejudice to the rights of the Debtors or any other party-in-interest in any other context to contest the amount or validity of any claim for purposes of allowance under the Plan. More specifically, the Debtors (or the Committee, if permitted by the Debtors) may object to any Claim (as defined in § 101(5)) solely for Plan voting purposes by filing a determination motion (the "Determination Motion"), no later than the Voting Objection Deadline. If an objection to a Claim (made by way of a Determination Motion or otherwise) is filed by the Debtors, or the Committee pursuant to a grant of

permission from the Debtors to file a Determination Motion or a Stipulation and Order granting the Committee standing to object to such Claim (if otherwise required), on or before the Voting Objection Deadline requesting that such Claim be reduced or reclassified, such claimant's Ballot shall, subject to such claimant's right to file a responsive pleading (including, but not limited to, a Claims Estimation Motion [as defined below] as set forth herein, be counted in such reduced amount or as falling into the reclassified category, unless otherwise ordered by the Court. Further, if you have cast a Ballot and if you have timely filed a Proof of Claim (or have otherwise had a Proof of Claim deemed timely filed by the Bankruptcy Court under applicable law), but your Claim is the subject of an objection (made by way of a Determination Motion or otherwise) filed no later than the Voting Objection Deadline, your Ballot will not be counted to the extent it is challenged by the objection, unless such claim is temporarily allowed by the Bankruptcy Court for voting purposes pursuant to Bankruptcy Rule 3018(a) after the creditor files a motion for such temporary allowance (the "Claims Estimation Motion"). If you seek to have your Claim temporarily allowed for purposes of voting to accept or reject the Plan pursuant to Bankruptcy Rule 3018(a), you are required to file a Claims Estimation Motion for such temporary allowance by the later of (i) the Voting Objection Deadline or (ii) if such Claim is the subject of an objection or a Determination Motion, seven (7) days after the filing of the applicable objection or Determination Motion. In the event that a Determination Motion or Claims Estimation Motion is filed, and the non-moving party wants to file a reply to the motion, such reply must be filed by the later of (i) the Voting Objection Deadline, or (ii) seven (7) days after the filing of the applicable motion (the "Voting Objection Reply Deadline"). A hearing will be scheduled (subject to the Bankruptcy Court's availability) on such motion within seven (7) days of the Voting Objection Reply Deadline but in no event later than the Confirmation Hearing (as defined below). The ruling by the Bankruptcy Court on any Determination Motion or Claims Estimation Motion shall be a ruling with respect to the allowance of the Claim(s) under Bankruptcy Rule 3018 and such Claim(s) will be counted, for voting purposes only, in the amount determined by the Bankruptcy Court. In the event a claimant reaches an agreement with the Movants, as to the treatment of a Claim for voting purposes, the Claim may be treated in such manner.

- (e) The Ballot does not constitute and will not be deemed a Proof of Claim or an assertion of a Claim.
- (f) If you cast more than one Ballot voting the same Claim prior to the Voting Deadline, the latest received properly completed Ballot will supersede any prior received Ballots.
- (g) NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
- (h) PLEASE RETURN YOUR BALLOT PROMPTLY. BALLOTS TRANSMITTED BY E-MAIL, FACSIMILE OR OTHER MEANS NOT SPECIFICALLY APPROVED BY THE BANKRUPTCY COURT, MAY BE ACCEPTED BY THE MOVANTS ON A CASE-BY-CASE BASIS.
- (i) IF YOU HAVE RECEIVED A DAMAGED BALLOT, HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE DEBTORS AT

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

DO NOT CONTACT THE DEBTORS FOR LEGAL ADVICE. THE DEBTORS CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from

taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) Other Injunctions. The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date

Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "Released Parties" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "Committee" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

Class 6 (Secured MOB II Financing Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

- ☒ Affects All Debtors
- ☐ Affects Verity Health System of California, Inc.
- ☐ Affects O'Connor Hospital
- ☐ Affects Saint Louise Regional Hospital
- ☐ Affects St. Francis Medical Center
- ☐ Affects St. Vincent Medical Center
- ☐ Affects Seton Medical Center
- ☐ Affects O'Connor Hospital Foundation
- ☐ Affects Saint Louise Regional Hospital Foundation
- ☐ Affects St. Francis Medical Center of Lynwood Foundation
- ☐ Affects St. Vincent Foundation
- ☐ Affects St. Vincent Dialysis Center, Inc.
- ☐ Affects Seton Medical Center Foundation
- ☐ Affects Verity Business Services
- ☐ Affects Verity Medical Foundation
- ☐ Affects Verity Holdings, LLC
- ☐ Affects De Paul Ventures, LLC
- ☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**BALLOT FOR VOTING TO ACCEPT OR REJECT
THE AMENDED JOINT CHAPTER 11 PLAN OF
LIQUIDATION**

CLASS 6 Secured MOB II Financing Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT,
KURTZMAN CARSON CONSULTANTS, LLC ("KCC"), BY THIS DEADLINE IN
ORDER TO BE COUNTED.**

This ballot (the "Ballot") is submitted to you to solicit your vote to accept or reject the *Amended Joint Chapter 11 Plan of Liquidation* (including all exhibits thereto and as amended, modified or supplemented from time to time, the "Plan") [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the "Disclosure Statement") [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") entered on _____, 2020 [Docket No. ____] (the "Disclosure Statement Order"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

Additionally, copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court's website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Ballot to the following address so that it is **received** by the deadline indicated above:

- By U.S. First Class Mail, Overnight Mail or Hand Delivery to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Or, in the alternative, by submitting your Ballot via the Balloting Agent's online balloting portal, as explained at page 4 of this Ballot.

Ballots transmitted to anyone other than KCC, above, and/or by facsimile, electronic mail or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants² on a case-by-case basis.

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court's website). Documents may also be accessed at KCC's website: <https://www.kccllc.net/verityhealth>.

² The Movants are the Debtors, UMB Bank, N.A., as Master Indenture Trustee, and Wells Fargo Bank, National Association, as Indenture Trustee for 2005 Bonds.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1 AND 2. IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE
LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN CAST.

Item 1. Class Vote. The undersigned, a holder of a Class 6 Claim in the voting amount indicated below, votes to
(check one box only):

☐ **Accept** the Plan.

☐ **Reject** the Plan.

Voting Amount \$ _____³

Item 2. Acknowledgments. By signing this Ballot, the undersigned acknowledges receipt of the Disclosure
Statement and the other applicable solicitation materials and certifies that the undersigned is the claimant or has the
power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that
an otherwise properly completed, executed and timely returned Ballot that does not indicate either acceptance or
rejection of the Plan or indicates both acceptance and rejection of the Plan will not be counted.

Name of Creditor

Signature

If by Authorized Agent, Name and Title

Name of Institution

Street Address

City, State, Zip Code

Telephone Number

Email Address

Date Completed

³ For voting purposes only, subject to the tabulation rules (“Tabulation Rules”).

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

- (a) **In the boxes provided in Item 1 of the Ballot, please indicate either acceptance or rejection of the Plan.** Complete the Ballot by providing all the information requested in Items 1 and 2, and sign, date and return the Ballot to the Debtors by ONLY ONE of the following approved return methods:

- By U.S. First Class Mail or Hand Delivery or Overnight Mail to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Alternatively, to submit your Ballot via the Balloting Agent's online balloting portal, visit <http://www.kccllc.net/verityhealth>. Click on the "Submit E-Ballot" section of the website and follow the instructions to submit your Ballot.

IMPORTANT NOTE: You will need the following information to retrieve and submit your customized electronic Ballot:

Unique E-Ballot ID#: _____

The Balloting Agent's online balloting portal is the sole manner in which Ballots will be accepted via electronic or online transmission.

Each E-Ballot ID# is to be used solely for voting only those Claims described in Item 1 of your electronic Ballot. Please complete and submit an electronic Ballot for each E-Ballot ID# you receive, as applicable. Creditors who cast a Ballot using the Notice and Claims Agent's online portal should NOT also submit a paper Ballot.

- (b) **Ballots must be received by KCC on or before July 30, 2020 at 4:00 p.m. (Pacific Time)** (the "Voting Deadline"). If a Ballot is received after the Voting Deadline, it will not be counted (even if post-marked prior to the Voting Deadline), except in the Debtors' discretion with the consent of the Committee. An envelope addressed to KCC is enclosed for your convenience (which address may differ from the address above). Ballots transmitted to anyone other than KCC, above, and/or transmitted to KCC by facsimile, electronic mail, or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants on a case-by-case basis. If neither the "accept" nor "reject" box is checked in Item 1 for an otherwise properly completed, executed and timely returned Ballot, the Ballot will not be counted.
- (c) You must vote all your Claims within a single Class under the Plan either to accept or reject the Plan. Accordingly, if you return more than one Ballot voting different Claims within a single Class under the Plan and the Ballots are not voted in the same manner, those Ballots will not be counted. An otherwise properly executed Ballot that attempts to partially accept and partially reject the Plan likewise will not be counted. Further, inconsistent duplicate Ballots with respect to the same claim shall not be counted.
- (d) Your Claim has been temporarily allowed solely for purposes of voting to accept or reject the Plan in accordance with certain Tabulation Rules approved by the Bankruptcy Court. The Tabulation Rules are set forth in the Disclosure Statement Order. The temporary allowance of claims for voting purposes does not constitute an allowance of claims for purposes of distribution under the Plan and is without prejudice to the rights of the Debtors or any other party-in-interest in any other context to contest the amount or validity of any claim for purposes of allowance under the Plan. More specifically, the Debtors (or the Committee, if permitted by the Debtors) may object to any Claim (as defined in § 101(5)) solely for Plan voting purposes by filing a determination motion (the "Determination Motion"), no later than the Voting Objection Deadline. If an objection to a Claim (made by way of a Determination Motion or otherwise) is filed by the Debtors, or the Committee pursuant to a grant of

permission from the Debtors to file a Determination Motion or a Stipulation and Order granting the Committee standing to object to such Claim (if otherwise required), on or before the Voting Objection Deadline requesting that such Claim be reduced or reclassified, such claimant's Ballot shall, subject to such claimant's right to file a responsive pleading (including, but not limited to, a Claims Estimation Motion [as defined below] as set forth herein, be counted in such reduced amount or as falling into the reclassified category, unless otherwise ordered by the Court. Further, if you have cast a Ballot and if you have timely filed a Proof of Claim (or have otherwise had a Proof of Claim deemed timely filed by the Bankruptcy Court under applicable law), but your Claim is the subject of an objection (made by way of a Determination Motion or otherwise) filed no later than the Voting Objection Deadline, your Ballot will not be counted to the extent it is challenged by the objection, unless such claim is temporarily allowed by the Bankruptcy Court for voting purposes pursuant to Bankruptcy Rule 3018(a) after the creditor files a motion for such temporary allowance (the "Claims Estimation Motion"). If you seek to have your Claim temporarily allowed for purposes of voting to accept or reject the Plan pursuant to Bankruptcy Rule 3018(a), you are required to file a Claims Estimation Motion for such temporary allowance by the later of (i) the Voting Objection Deadline or (ii) if such Claim is the subject of an objection or a Determination Motion, seven (7) days after the filing of the applicable objection or Determination Motion. In the event that a Determination Motion or Claims Estimation Motion is filed, and the non-moving party wants to file a reply to the motion, such reply must be filed by the later of (i) the Voting Objection Deadline, or (ii) seven (7) days after the filing of the applicable motion (the "Voting Objection Reply Deadline"). A hearing will be scheduled (subject to the Bankruptcy Court's availability) on such motion within seven (7) days of the Voting Objection Reply Deadline but in no event later than the Confirmation Hearing (as defined below). The ruling by the Bankruptcy Court on any Determination Motion or Claims Estimation Motion shall be a ruling with respect to the allowance of the Claim(s) under Bankruptcy Rule 3018 and such Claim(s) will be counted, for voting purposes only, in the amount determined by the Bankruptcy Court. In the event a claimant reaches an agreement with the Movants, as to the treatment of a Claim for voting purposes, the Claim may be treated in such manner.

- (e) The Ballot does not constitute and will not be deemed a Proof of Claim or an assertion of a Claim.
- (f) If you cast more than one Ballot voting the same Claim prior to the Voting Deadline, the latest received properly completed Ballot will supersede any prior received Ballots.
- (g) NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
- (h) PLEASE RETURN YOUR BALLOT PROMPTLY. BALLOTS TRANSMITTED BY E-MAIL, FACSIMILE OR OTHER MEANS NOT SPECIFICALLY APPROVED BY THE BANKRUPTCY COURT, MAY BE ACCEPTED BY THE MOVANTS ON A CASE-BY-CASE BASIS.
- (i) IF YOU HAVE RECEIVED A DAMAGED BALLOT, HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE DEBTORS AT

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

DO NOT CONTACT THE DEBTORS FOR LEGAL ADVICE. THE DEBTORS CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from

taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) **Other Injunctions.** The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date

Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "Released Parties" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "Committee" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

Class 7 (Secured Mechanics Lien Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

- ☒ Affects All Debtors
- ☐ Affects Verity Health System of California, Inc.
- ☐ Affects O'Connor Hospital
- ☐ Affects Saint Louise Regional Hospital
- ☐ Affects St. Francis Medical Center
- ☐ Affects St. Vincent Medical Center
- ☐ Affects Seton Medical Center
- ☐ Affects O'Connor Hospital Foundation
- ☐ Affects Saint Louise Regional Hospital Foundation
- ☐ Affects St. Francis Medical Center of Lynwood
Foundation
- ☐ Affects St. Vincent Foundation
- ☐ Affects St. Vincent Dialysis Center, Inc.
- ☐ Affects Seton Medical Center Foundation
- ☐ Affects Verity Business Services
- ☐ Affects Verity Medical Foundation
- ☐ Affects Verity Holdings, LLC
- ☐ Affects De Paul Ventures, LLC
- ☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**BALLOT FOR VOTING TO ACCEPT OR REJECT
THE AMENDED JOINT CHAPTER 11 PLAN OF
LIQUIDATION**

CLASS 7 Secured Mechanics Lien Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT,
KURTZMAN CARSON CONSULTANTS, LLC ("KCC"), BY THIS DEADLINE IN
ORDER TO BE COUNTED.**

This ballot (the "Ballot") is submitted to you to solicit your vote to accept or reject the Amended Joint Chapter 11 Plan of Liquidation (including all exhibits thereto and as amended, modified or supplemented from time to time, the "Plan") [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the "Disclosure Statement") [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") entered on _____, 2020 [Docket No. ____] (the "Disclosure Statement Order"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

Additionally, copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court's website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Ballot to the following address so that it is **received** by the deadline indicated above:

- By U.S. First Class Mail, Overnight Mail or Hand Delivery to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Or, in the alternative, by submitting your Ballot via the Balloting Agent's online balloting portal, as explained at page 4 of this Ballot.

Ballots transmitted to anyone other than KCC, above, and/or by facsimile, electronic mail or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants² on a case-by-case basis.

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court's website). Documents may also be accessed at KCC's website: <https://www.kccllc.net/verityhealth>.

² The Movants are the Debtors, UMB Bank, N.A., as Master Indenture Trustee, and Wells Fargo Bank, National Association, as Indenture Trustee for 2005 Bonds.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1 AND 2. IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE
LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN CAST.

Item 1. Class Vote. The undersigned, a holder of a Class 7 Claim in the voting amount indicated below, votes to
(check one box only):

☐ **Accept** the Plan.

☐ **Reject** the Plan.

Voting Amount \$ _____³

Item 2. Acknowledgments. By signing this Ballot, the undersigned acknowledges receipt of the Disclosure Statement and the other applicable solicitation materials and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that an otherwise properly completed, executed and timely returned Ballot that does not indicate either acceptance or rejection of the Plan or indicates both acceptance and rejection of the Plan will not be counted.

Name of Creditor

Signature

If by Authorized Agent, Name and Title

Name of Institution

Street Address

City, State, Zip Code

Telephone Number

Email Address

Date Completed

³ For voting purposes only, subject to the tabulation rules (“Tabulation Rules”).

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

- (a) **In the boxes provided in Item 1 of the Ballot, please indicate either acceptance or rejection of the Plan.** Complete the Ballot by providing all the information requested in Items 1 and 2, and sign, date and return the Ballot to the Debtors by ONLY ONE of the following approved return methods:

- By U.S. First Class Mail or Hand Delivery or Overnight Mail to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Alternatively, to submit your Ballot via the Balloting Agent's online balloting portal, visit <http://www.kccllc.net/verityhealth>. Click on the "Submit E-Ballot" section of the website and follow the instructions to submit your Ballot.

IMPORTANT NOTE: You will need the following information to retrieve and submit your customized electronic Ballot:

Unique E-Ballot ID#: _____

The Balloting Agent's online balloting portal is the sole manner in which Ballots will be accepted via electronic or online transmission.

Each E-Ballot ID# is to be used solely for voting only those Claims described in Item 1 of your electronic Ballot. Please complete and submit an electronic Ballot for each E-Ballot ID# you receive, as applicable. Creditors who cast a Ballot using the Notice and Claims Agent's online portal should NOT also submit a paper Ballot.

- (b) **Ballots must be received by KCC on or before July 30, 2020 at 4:00 p.m. (Pacific Time)** (the "Voting Deadline"). If a Ballot is received after the Voting Deadline, it will not be counted (even if post-marked prior to the Voting Deadline), except in the Debtors' discretion with the consent of the Committee. An envelope addressed to KCC is enclosed for your convenience (which address may differ from the address above). Ballots transmitted to anyone other than KCC, above, and/or transmitted to KCC by facsimile, electronic mail, or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants on a case-by-case basis. If neither the "accept" nor "reject" box is checked in Item 1 for an otherwise properly completed, executed and timely returned Ballot, the Ballot will not be counted.
- (c) You must vote all your Claims within a single Class under the Plan either to accept or reject the Plan. Accordingly, if you return more than one Ballot voting different Claims within a single Class under the Plan and the Ballots are not voted in the same manner, those Ballots will not be counted. An otherwise properly executed Ballot that attempts to partially accept and partially reject the Plan likewise will not be counted. Further, inconsistent duplicate Ballots with respect to the same claim shall not be counted.
- (d) Your Claim has been temporarily allowed solely for purposes of voting to accept or reject the Plan in accordance with certain Tabulation Rules approved by the Bankruptcy Court. The Tabulation Rules are set forth in the Disclosure Statement Order. The temporary allowance of claims for voting purposes does not constitute an allowance of claims for purposes of distribution under the Plan and is without prejudice to the rights of the Debtors or any other party-in-interest in any other context to contest the amount or validity of any claim for purposes of allowance under the Plan. More specifically, the Debtors (or the Committee, if permitted by the Debtors) may object to any Claim (as defined in § 101(5)) solely for Plan voting purposes by filing a determination motion (the "Determination Motion"), no later than the Voting Objection Deadline. If an objection to a Claim (made by way of a Determination Motion or otherwise) is filed by the Debtors, or the Committee pursuant to a grant of

permission from the Debtors to file a Determination Motion or a Stipulation and Order granting the Committee standing to object to such Claim (if otherwise required), on or before the Voting Objection Deadline requesting that such Claim be reduced or reclassified, such claimant's Ballot shall, subject to such claimant's right to file a responsive pleading (including, but not limited to, a Claims Estimation Motion [as defined below] as set forth herein, be counted in such reduced amount or as falling into the reclassified category, unless otherwise ordered by the Court. Further, if you have cast a Ballot and if you have timely filed a Proof of Claim (or have otherwise had a Proof of Claim deemed timely filed by the Bankruptcy Court under applicable law), but your Claim is the subject of an objection (made by way of a Determination Motion or otherwise) filed no later than the Voting Objection Deadline, your Ballot will not be counted to the extent it is challenged by the objection, unless such claim is temporarily allowed by the Bankruptcy Court for voting purposes pursuant to Bankruptcy Rule 3018(a) after the creditor files a motion for such temporary allowance (the "Claims Estimation Motion"). If you seek to have your Claim temporarily allowed for purposes of voting to accept or reject the Plan pursuant to Bankruptcy Rule 3018(a), you are required to file a Claims Estimation Motion for such temporary allowance by the later of (i) the Voting Objection Deadline or (ii) if such Claim is the subject of an objection or a Determination Motion, seven (7) days after the filing of the applicable objection or Determination Motion. In the event that a Determination Motion or Claims Estimation Motion is filed, and the non-moving party wants to file a reply to the motion, such reply must be filed by the later of (i) the Voting Objection Deadline, or (ii) seven (7) days after the filing of the applicable motion (the "Voting Objection Reply Deadline"). A hearing will be scheduled (subject to the Bankruptcy Court's availability) on such motion within seven (7) days of the Voting Objection Reply Deadline but in no event later than the Confirmation Hearing (as defined below). The ruling by the Bankruptcy Court on any Determination Motion or Claims Estimation Motion shall be a ruling with respect to the allowance of the Claim(s) under Bankruptcy Rule 3018 and such Claim(s) will be counted, for voting purposes only, in the amount determined by the Bankruptcy Court. In the event a claimant reaches an agreement with the Movants, as to the treatment of a Claim for voting purposes, the Claim may be treated in such manner.

- (e) The Ballot does not constitute and will not be deemed a Proof of Claim or an assertion of a Claim.
- (f) If you cast more than one Ballot voting the same Claim prior to the Voting Deadline, the latest received properly completed Ballot will supersede any prior received Ballots.
- (g) NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
- (h) PLEASE RETURN YOUR BALLOT PROMPTLY. BALLOTS TRANSMITTED BY E-MAIL, FACSIMILE OR OTHER MEANS NOT SPECIFICALLY APPROVED BY THE BANKRUPTCY COURT, MAY BE ACCEPTED BY THE MOVANTS ON A CASE-BY-CASE BASIS.
- (i) IF YOU HAVE RECEIVED A DAMAGED BALLOT, HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE DEBTORS AT

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

DO NOT CONTACT THE DEBTORS FOR LEGAL ADVICE. THE DEBTORS CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from

taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) Other Injunctions. The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date

Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "Released Parties" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "Committee" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

Class 8 (General Unsecured Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

- ☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood
Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**BALLOT FOR VOTING TO ACCEPT OR REJECT
THE AMENDED JOINT CHAPTER 11 PLAN OF
LIQUIDATION**

CLASS 8 General Unsecured Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT,
KURTZMAN CARSON CONSULTANTS, LLC ("KCC"), BY THIS DEADLINE IN
ORDER TO BE COUNTED.**

This ballot (the "Ballot") is submitted to you to solicit your vote to accept or reject the Amended Joint Chapter 11 Plan of Liquidation (including all exhibits thereto and as amended, modified or supplemented from time to time, the "Plan") [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the "Disclosure Statement") [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") entered on _____, 2020 [Docket No. ____] (the "Disclosure Statement Order"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

Additionally, copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court's website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Ballot to the following address so that it is **received** by the deadline indicated above:

- By U.S. First Class Mail, Overnight Mail or Hand Delivery to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Or, in the alternative, by submitting your Ballot via the Balloting Agent's online balloting portal, as explained at page 4 of this Ballot.

Ballots transmitted to anyone other than KCC, above, and/or by facsimile, electronic mail or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants² on a case-by-case basis.

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court's website). Documents may also be accessed at KCC's website: <https://www.kccllc.net/verityhealth>.

² The Movants are the Debtors, UMB Bank, N.A., as Master Indenture Trustee, and Wells Fargo Bank, National Association, as Indenture Trustee for 2005 Bonds.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1, 2 AND 3. IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE
LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN CAST.

Item 1. Class Vote. The undersigned, a holder of a Class 8 General Unsecured Claim in the voting amount indicated below, elects to (check one box only):

☐ **Accept** the Plan.

☐ **Reject** the Plan.

Voting Amount \$ _____³

Item 2. Acknowledgments. By signing this Ballot, the undersigned acknowledges receipt of the Disclosure Statement and the other applicable solicitation materials and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that an otherwise properly completed, executed and timely returned Ballot that does not indicate either acceptance or rejection of the Plan or indicates both acceptance and rejection of the Plan will not be counted.

Name of Creditor

Signature

If by Authorized Agent, Name and Title

Name of Institution

Street Address

City, State, Zip Code

Telephone Number

Email Address

Date Completed

³ For voting purposes only, subject to the tabulation rules (“Tabulation Rules”).

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

- (a) **In the boxes provided in Item 1 of the Ballot, please indicate either acceptance or rejection of the Plan.** Complete the Ballot by providing all the information requested in Items 1 and 2, and sign, date and return the Ballot to the Debtors by ONLY ONE of the following approved return methods:

- By U.S. First Class Mail or Hand Delivery or Overnight Mail to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Alternatively, to submit your Ballot via the Balloting Agent's online balloting portal, visit <http://www.kccllc.net/verityhealth>. Click on the "Submit E-Ballot" section of the website and follow the instructions to submit your Ballot.

IMPORTANT NOTE: You will need the following information to retrieve and submit your customized electronic Ballot:

Unique E-Ballot ID#: _____

The Balloting Agent's online balloting portal is the sole manner in which Ballots will be accepted via electronic or online transmission.

Each E-Ballot ID# is to be used solely for voting only those Claims described in Item 1 of your electronic Ballot. Please complete and submit an electronic Ballot for each E-Ballot ID# you receive, as applicable. Creditors who cast a Ballot using the Notice and Claims Agent's online portal should NOT also submit a paper Ballot.

- (b) **Ballots must be received by KCC on or before July 30, 2020 at 4:00 p.m. (Pacific Time)** (the "Voting Deadline"). If a Ballot is received after the Voting Deadline, it will not be counted (even if post-marked prior to the Voting Deadline), except in the Debtors' discretion with the consent of the Committee. An envelope addressed to KCC is enclosed for your convenience (which address may differ from the address above). Ballots transmitted to anyone other than KCC, above, and/or transmitted to KCC by facsimile, electronic mail, or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants on a case-by-case basis. If neither the "accept" nor "reject" box is checked in Item 1 for an otherwise properly completed, executed and timely returned Ballot, the Ballot will not be counted.
- (c) You must vote all your Claims within a single Class under the Plan either to accept or reject the Plan. Accordingly, if you return more than one Ballot voting different Claims within a single Class under the Plan and the Ballots are not voted in the same manner, those Ballots will not be counted. An otherwise properly executed Ballot that attempts to partially accept and partially reject the Plan likewise will not be counted. Further, inconsistent duplicate Ballots with respect to the same claim shall not be counted.
- (d) Your Claim has been temporarily allowed solely for purposes of voting to accept or reject the Plan in accordance with certain Tabulation Rules approved by the Bankruptcy Court. The Tabulation Rules are set forth in the Disclosure Statement Order. The temporary allowance of claims for voting purposes does not constitute an allowance of claims for purposes of distribution under the Plan and is without prejudice to the rights of the Debtors or any other party-in-interest in any other context to contest the amount or validity of any claim for purposes of allowance under the Plan. More specifically, the Debtors (or the Committee, if permitted by the Debtors) may object to any Claim (as defined in § 101(5)) solely for Plan voting purposes by filing a determination motion (the "Determination Motion"), no later than the Voting Objection Deadline. If an objection to a Claim (made by way of a Determination Motion or otherwise) is filed by the Debtors, or the Committee pursuant to a grant of

permission from the Debtors to file a Determination Motion or a Stipulation and Order granting the Committee standing to object to such Claim (if otherwise required), on or before the Voting Objection Deadline requesting that such Claim be reduced or reclassified, such claimant's Ballot shall, subject to such claimant's right to file a responsive pleading (including, but not limited to, a Claims Estimation Motion [as defined below] as set forth herein, be counted in such reduced amount or as falling into the reclassified category, unless otherwise ordered by the Court. Further, if you have cast a Ballot and if you have timely filed a Proof of Claim (or have otherwise had a Proof of Claim deemed timely filed by the Bankruptcy Court under applicable law), but your Claim is the subject of an objection (made by way of a Determination Motion or otherwise) filed no later than the Voting Objection Deadline, your Ballot will not be counted to the extent it is challenged by the objection, unless such claim is temporarily allowed by the Bankruptcy Court for voting purposes pursuant to Bankruptcy Rule 3018(a) after the creditor files a motion for such temporary allowance (the "Claims Estimation Motion"). If you seek to have your Claim temporarily allowed for purposes of voting to accept or reject the Plan pursuant to Bankruptcy Rule 3018(a), you are required to file a Claims Estimation Motion for such temporary allowance by the later of (i) the Voting Objection Deadline or (ii) if such Claim is the subject of an objection or a Determination Motion, seven (7) days after the filing of the applicable objection or Determination Motion. In the event that a Determination Motion or Claims Estimation Motion is filed, and the non-moving party wants to file a reply to the motion, such reply must be filed by the later of (i) the Voting Objection Deadline, or (ii) seven (7) days after the filing of the applicable motion (the "Voting Objection Reply Deadline"). A hearing will be scheduled (subject to the Bankruptcy Court's availability) on such motion within seven (7) days of the Voting Objection Reply Deadline but in no event later than the Confirmation Hearing (as defined below). The ruling by the Bankruptcy Court on any Determination Motion or Claims Estimation Motion shall be a ruling with respect to the allowance of the Claim(s) under Bankruptcy Rule 3018 and such Claim(s) will be counted, for voting purposes only, in the amount determined by the Bankruptcy Court. In the event a claimant reaches an agreement with the Movants, as to the treatment of a Claim for voting purposes, the Claim may be treated in such manner.

- (e) The Ballot does not constitute and will not be deemed a Proof of Claim or an assertion of a Claim.
- (f) If you cast more than one Ballot voting the same Claim prior to the Voting Deadline, the latest received properly completed Ballot will supersede any prior received Ballots.
- (g) NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
- (h) PLEASE RETURN YOUR BALLOT PROMPTLY. BALLOTS TRANSMITTED BY E-MAIL, FACSIMILE OR OTHER MEANS NOT SPECIFICALLY APPROVED BY THE BANKRUPTCY COURT, MAY BE ACCEPTED BY THE MOVANTS ON A CASE-BY-CASE BASIS.
- (i) IF YOU HAVE RECEIVED A DAMAGED BALLOT, HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE DEBTORS AT

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

DO NOT CONTACT THE DEBTORS FOR LEGAL ADVICE. THE DEBTORS CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from

taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) Other Injunctions. The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date

Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "Released Parties" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "Committee" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

Class 9 (Insured Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

- ☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood
Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**BALLOT FOR VOTING TO ACCEPT OR REJECT
THE AMENDED JOINT CHAPTER 11 PLAN OF
LIQUIDATION**

CLASS 9 Insured Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT,
KURTZMAN CARSON CONSULTANTS, LLC ("KCC"), BY THIS DEADLINE IN
ORDER TO BE COUNTED.**

This ballot (the "Ballot") is submitted to you to solicit your vote to accept or reject the Amended Joint Chapter 11 Plan of Liquidation (including all exhibits thereto and as amended, modified or supplemented from time to time, the "Plan") [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the "Disclosure Statement") [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") entered on _____, 2020 [Docket No. ____] (the "Disclosure Statement Order"). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

Additionally, copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court's website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Ballot to the following address so that it is **received** by the deadline indicated above:

- By U.S. First Class Mail, Overnight Mail or Hand Delivery to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Or, in the alternative, by submitting your Ballot via the Balloting Agent's online balloting portal, as explained at page 4 of this Ballot.

Ballots transmitted to anyone other than KCC, above, and/or by facsimile, electronic mail or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants² on a case-by-case basis.

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court's website). Documents may also be accessed at KCC's website: <https://www.kccllc.net/verityhealth>.

² The Movants are the Debtors, UMB Bank, N.A., as Master Indenture Trustee, and Wells Fargo Bank, National Association, as Indenture Trustee for 2005 Bonds.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1 AND 2. IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE
LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN CAST.

Item 1. Class Vote. The undersigned, a holder of a Class 9 Claim in the voting amount indicated below, votes to
(check one box only):

☐ **Accept** the Plan.

☐ **Reject** the Plan.

Voting Amount \$ _____³

Item 2. Acknowledgments. By signing this Ballot, the undersigned acknowledges receipt of the Disclosure Statement and the other applicable solicitation materials and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that an otherwise properly completed, executed and timely returned Ballot that does not indicate either acceptance or rejection of the Plan or indicates both acceptance and rejection of the Plan will not be counted.

Name of Creditor

Signature

If by Authorized Agent, Name and Title

Name of Institution

Street Address

City, State, Zip Code

Telephone Number

Email Address

Date Completed

³ For voting purposes only, subject to the tabulation rules (“Tabulation Rules”).

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

- (a) **In the boxes provided in Item 1 of the Ballot, please indicate either acceptance or rejection of the Plan.** Complete the Ballot by providing all the information requested in Items 1 and 2, and sign, date and return the Ballot to the Debtors by ONLY ONE of the following approved return methods:

- By U.S. First Class Mail or Hand Delivery or Overnight Mail to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Alternatively, to submit your Ballot via the Balloting Agent's online balloting portal, visit <http://www.kccllc.net/verityhealth>. Click on the "Submit E-Ballot" section of the website and follow the instructions to submit your Ballot.

IMPORTANT NOTE: You will need the following information to retrieve and submit your customized electronic Ballot:

Unique E-Ballot ID#: _____

The Balloting Agent's online balloting portal is the sole manner in which Ballots will be accepted via electronic or online transmission.

Each E-Ballot ID# is to be used solely for voting only those Claims described in Item 1 of your electronic Ballot. Please complete and submit an electronic Ballot for each E-Ballot ID# you receive, as applicable. Creditors who cast a Ballot using the Notice and Claims Agent's online portal should NOT also submit a paper Ballot.

- (b) **Ballots must be received by KCC on or before July 30, 2020 at 4:00 p.m. (Pacific Time)** (the "Voting Deadline"). If a Ballot is received after the Voting Deadline, it will not be counted (even if post-marked prior to the Voting Deadline), except in the Debtors' discretion with the consent of the Committee. An envelope addressed to KCC is enclosed for your convenience (which address may differ from the address above). Ballots transmitted to anyone other than KCC, above, and/or transmitted to KCC by facsimile, electronic mail, or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants on a case-by-case basis. If neither the "accept" nor "reject" box is checked in Item 1 for an otherwise properly completed, executed and timely returned Ballot, the Ballot will not be counted.
- (c) You must vote all your Claims within a single Class under the Plan either to accept or reject the Plan. Accordingly, if you return more than one Ballot voting different Claims within a single Class under the Plan and the Ballots are not voted in the same manner, those Ballots will not be counted. An otherwise properly executed Ballot that attempts to partially accept and partially reject the Plan likewise will not be counted. Further, inconsistent duplicate Ballots with respect to the same claim shall not be counted.
- (d) Your Claim has been temporarily allowed solely for purposes of voting to accept or reject the Plan in accordance with certain Tabulation Rules approved by the Bankruptcy Court. The Tabulation Rules are set forth in the Disclosure Statement Order. The temporary allowance of claims for voting purposes does not constitute an allowance of claims for purposes of distribution under the Plan and is without prejudice to the rights of the Debtors or any other party-in-interest in any other context to contest the amount or validity of any claim for purposes of allowance under the Plan. More specifically, the Debtors (or the Committee, if permitted by the Debtors) may object to any Claim (as defined in § 101(5)) solely for Plan voting purposes by filing a determination motion (the "Determination Motion"), no later than the Voting Objection Deadline. If an objection to a Claim (made by way of a Determination Motion or otherwise) is filed by the Debtors, or the Committee pursuant to a grant of

permission from the Debtors to file a Determination Motion or a Stipulation and Order granting the Committee standing to object to such Claim (if otherwise required), on or before the Voting Objection Deadline requesting that such Claim be reduced or reclassified, such claimant's Ballot shall, subject to such claimant's right to file a responsive pleading (including, but not limited to, a Claims Estimation Motion [as defined below] as set forth herein, be counted in such reduced amount or as falling into the reclassified category, unless otherwise ordered by the Court. Further, if you have cast a Ballot and if you have timely filed a Proof of Claim (or have otherwise had a Proof of Claim deemed timely filed by the Bankruptcy Court under applicable law), but your Claim is the subject of an objection (made by way of a Determination Motion or otherwise) filed no later than the Voting Objection Deadline, your Ballot will not be counted to the extent it is challenged by the objection, unless such claim is temporarily allowed by the Bankruptcy Court for voting purposes pursuant to Bankruptcy Rule 3018(a) after the creditor files a motion for such temporary allowance (the "Claims Estimation Motion"). If you seek to have your Claim temporarily allowed for purposes of voting to accept or reject the Plan pursuant to Bankruptcy Rule 3018(a), you are required to file a Claims Estimation Motion for such temporary allowance by the later of (i) the Voting Objection Deadline or (ii) if such Claim is the subject of an objection or a Determination Motion, seven (7) days after the filing of the applicable objection or Determination Motion. In the event that a Determination Motion or Claims Estimation Motion is filed, and the non-moving party wants to file a reply to the motion, such reply must be filed by the later of (i) the Voting Objection Deadline, or (ii) seven (7) days after the filing of the applicable motion (the "Voting Objection Reply Deadline"). A hearing will be scheduled (subject to the Bankruptcy Court's availability) on such motion within seven (7) days of the Voting Objection Reply Deadline but in no event later than the Confirmation Hearing (as defined below). The ruling by the Bankruptcy Court on any Determination Motion or Claims Estimation Motion shall be a ruling with respect to the allowance of the Claim(s) under Bankruptcy Rule 3018 and such Claim(s) will be counted, for voting purposes only, in the amount determined by the Bankruptcy Court. In the event a claimant reaches an agreement with the Movants, as to the treatment of a Claim for voting purposes, the Claim may be treated in such manner.

- (e) The Ballot does not constitute and will not be deemed a Proof of Claim or an assertion of a Claim.
- (f) If you cast more than one Ballot voting the same Claim prior to the Voting Deadline, the latest received properly completed Ballot will supersede any prior received Ballots.
- (g) NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
- (h) PLEASE RETURN YOUR BALLOT PROMPTLY. BALLOTS TRANSMITTED BY E-MAIL, FACSIMILE OR OTHER MEANS NOT SPECIFICALLY APPROVED BY THE BANKRUPTCY COURT, MAY BE ACCEPTED BY THE MOVANTS ON A CASE-BY-CASE BASIS.
- (i) IF YOU HAVE RECEIVED A DAMAGED BALLOT, HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE DEBTORS AT

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

DO NOT CONTACT THE DEBTORS FOR LEGAL ADVICE. THE DEBTORS CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to

a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) Other Injunctions. The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the

Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "Released Parties" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "Committee" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

Class 10 (2016 Data Breach Claims)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA – LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

- ☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood
Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose Dialysis, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered with:

Case No. 2:18-bk-20162-ER
Case No. 2:18-bk-20163-ER
Case No. 2:18-bk-20164-ER
Case No. 2:18-bk-20165-ER
Case No. 2:18-bk-20167-ER
Case No. 2:18-bk-20168-ER
Case No. 2:18-bk-20169-ER
Case No. 2:18-bk-20171-ER
Case No. 2:18-bk-20172-ER
Case No. 2:18-bk-20173-ER
Case No. 2:18-bk-20175-ER
Case No. 2:18-bk-20176-ER
Case No. 2:18-bk-20178-ER
Case No. 2:18-bk-20179-ER
Case No. 2:18-bk-20180-ER
Case No. 2:18-bk-20181-ER

Chapter 11 Cases
Hon. Judge Ernest M. Robles

**BALLOT FOR VOTING TO ACCEPT OR REJECT
THE AMENDED JOINT CHAPTER 11 PLAN OF
LIQUIDATION**

CLASS 10 – 2016 Data Breach Claims

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS JULY 30, 2020
AT 4:00 P.M. (PACIFIC TIME).**

**YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT,
KURTZMAN CARSON CONSULTANTS, LLC (“KCC”), BY THIS DEADLINE IN
ORDER TO BE COUNTED.**

This ballot (the “Ballot”) is submitted to you to solicit your vote to accept or reject the Amended Joint Chapter 11 Plan of Liquidation (including all exhibits thereto and as amended, modified or supplemented from time to time, the “Plan”) [Docket No. 4879], submitted by the Plan Proponents and described in the related disclosure statement (the “Disclosure Statement”) [Docket No. 4880] approved by order of the United States Bankruptcy Court for the Central District of California (the “Bankruptcy Court”) entered on _____, 2020 [Docket No. ____] (the “Disclosure Statement Order”). The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. Copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement may be obtained by contacting the Debtors in care of

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

Additionally, copies of the Disclosure Statement Order, the Plan, and the Disclosure Statement are available for inspection and may be obtained on the Bankruptcy Court's website and at the website for KCC.¹

Please review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined have the meanings given to them in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the holders of at least two-thirds in amount and more than one-half in number of the Claims in each impaired Class to vote on the Plan and if the Plan otherwise satisfies the applicable requirements of Section 1129(a) under Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"). If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (i) provides fair and equitable treatment to, and does not unfairly discriminate against, the Class or Classes rejecting the Plan and (ii) otherwise satisfies the requirements of Section 1129(b) of the Bankruptcy Code.

To have your vote counted, you must complete, sign and return this Ballot to the following address so that it is **received** by the deadline indicated above:

- By U.S. First Class Mail, Overnight Mail or Hand Delivery to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Or, in the alternative, by submitting your Ballot via the Balloting Agent's online balloting portal, as explained at page 4 of this Ballot.

Ballots transmitted to anyone other than KCC, above, and/or by facsimile, electronic mail or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants² on a case-by-case basis.

¹ <http://www.cacb.uscourts.gov/> (a PACER login and password are required to access documents on the Bankruptcy Court's website). Documents may also be accessed at KCC's website: <https://www.kccllc.net/verityhealth>.

² The Movants are the Debtors, UMB Bank, N.A., as Master Indenture Trustee, and Wells Fargo Bank, National Association, as Indenture Trustee for 2005 Bonds.

**PLEASE READ THE ATTACHED VOTING INFORMATION AND
INSTRUCTIONS BEFORE COMPLETING THIS BALLOT.**

PLEASE COMPLETE ITEMS 1 AND 2. IF THIS BALLOT IS NOT SIGNED ON THE APPROPRIATE
LINES, THIS BALLOT WILL NOT BE VALID OR NOT COUNTED AS HAVING BEEN CAST.

Item 1. Class Vote. The undersigned, a holder of a Class 10 Claim in the voting amount indicated below, votes to
(check one box only):

☐ **Accept** the Plan.

☐ **Reject** the Plan.

Voting Amount \$ _____³

Item 2. Acknowledgments. By signing this Ballot, the undersigned acknowledges receipt of the Disclosure
Statement and the other applicable solicitation materials and certifies that the undersigned is the claimant or has the
power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that
an otherwise properly completed, executed and timely returned Ballot that does not indicate either acceptance or
rejection of the Plan or indicates both acceptance and rejection of the Plan will not be counted.

Name of Creditor

Signature

If by Authorized Agent, Name and Title

Name of Institution

Street Address

City, State, Zip Code

Telephone Number

Email Address

Date Completed

³ For voting purposes only, subject to the tabulation rules (“Tabulation Rules”).

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

- (a) **In the boxes provided in Item 1 of the Ballot, please indicate either acceptance or rejection of the Plan.** Complete the Ballot by providing all the information requested in Items 1 and 2, and sign, date and return the Ballot to the Debtors by ONLY ONE of the following approved return methods:

- By U.S. First Class Mail or Hand Delivery or Overnight Mail to:

Verity Ballot Processing Center
c/o Kurtzman Carson Consulting LLC
222 North Pacific Coast Highway, Suite 300
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

- Alternatively, to submit your Ballot via the Balloting Agent's online balloting portal, visit <http://www.kccllc.net/verityhealth>. Click on the "Submit E-Ballot" section of the website and follow the instructions to submit your Ballot.

IMPORTANT NOTE: You will need the following information to retrieve and submit your customized electronic Ballot:

Unique E-Ballot ID#: _____

The Balloting Agent's online balloting portal is the sole manner in which Ballots will be accepted via electronic or online transmission.

Each E-Ballot ID# is to be used solely for voting only those Claims described in Item 1 of your electronic Ballot. Please complete and submit an electronic Ballot for each E-Ballot ID# you receive, as applicable. Creditors who cast a Ballot using the Notice and Claims Agent's online portal should NOT also submit a paper Ballot.

- (b) **Ballots must be received by KCC on or before July 30, 2020 at 4:00 p.m. (Pacific Time)** (the "Voting Deadline"). If a Ballot is received after the Voting Deadline, it will not be counted (even if post-marked prior to the Voting Deadline), except in the Debtors' discretion with the consent of the Committee. An envelope addressed to KCC is enclosed for your convenience (which address may differ from the address above). Ballots transmitted to anyone other than KCC, above, and/or transmitted to KCC by facsimile, electronic mail, or other means not specifically approved by the Bankruptcy Court, may be accepted by the Movants on a case-by-case basis. If neither the "accept" nor "reject" box is checked in Item 1 for an otherwise properly completed, executed and timely returned Ballot, the Ballot will not be counted.
- (c) You must vote all your Claims within a single Class under the Plan either to accept or reject the Plan. Accordingly, if you return more than one Ballot voting different Claims within a single Class under the Plan and the Ballots are not voted in the same manner, those Ballots will not be counted. An otherwise properly executed Ballot that attempts to partially accept and partially reject the Plan likewise will not be counted. Further, inconsistent duplicate Ballots with respect to the same claim shall not be counted.
- (d) Your Claim has been temporarily allowed solely for purposes of voting to accept or reject the Plan in accordance with certain Tabulation Rules approved by the Bankruptcy Court. The Tabulation Rules are set forth in the Disclosure Statement Order. The temporary allowance of claims for voting purposes does not constitute an allowance of claims for purposes of distribution under the Plan and is without prejudice to the rights of the Debtors or any other party-in-interest in any other context to contest the amount or validity of any claim for purposes of allowance under the Plan. More specifically, the Debtors (or the Committee, if permitted by the Debtors) may object to any Claim (as defined in § 101(5)) solely for Plan voting purposes by filing a determination motion (the "Determination Motion"), no later than the Voting Objection Deadline. If an objection to a Claim (made by way of a Determination Motion or otherwise) is filed by the Debtors, or the Committee pursuant to a grant of

permission from the Debtors to file a Determination Motion or a Stipulation and Order granting the Committee standing to object to such Claim (if otherwise required), on or before the Voting Objection Deadline requesting that such Claim be reduced or reclassified, such claimant's Ballot shall, subject to such claimant's right to file a responsive pleading (including, but not limited to, a Claims Estimation Motion [as defined below] as set forth herein, be counted in such reduced amount or as falling into the reclassified category, unless otherwise ordered by the Court. Further, if you have cast a Ballot and if you have timely filed a Proof of Claim (or have otherwise had a Proof of Claim deemed timely filed by the Bankruptcy Court under applicable law), but your Claim is the subject of an objection (made by way of a Determination Motion or otherwise) filed no later than the Voting Objection Deadline, your Ballot will not be counted to the extent it is challenged by the objection, unless such claim is temporarily allowed by the Bankruptcy Court for voting purposes pursuant to Bankruptcy Rule 3018(a) after the creditor files a motion for such temporary allowance (the "Claims Estimation Motion"). If you seek to have your Claim temporarily allowed for purposes of voting to accept or reject the Plan pursuant to Bankruptcy Rule 3018(a), you are required to file a Claims Estimation Motion for such temporary allowance by the later of (i) the Voting Objection Deadline or (ii) if such Claim is the subject of an objection or a Determination Motion, seven (7) days after the filing of the applicable objection or Determination Motion. In the event that a Determination Motion or Claims Estimation Motion is filed, and the non-moving party wants to file a reply to the motion, such reply must be filed by the later of (i) the Voting Objection Deadline, or (ii) seven (7) days after the filing of the applicable motion (the "Voting Objection Reply Deadline"). A hearing will be scheduled (subject to the Bankruptcy Court's availability) on such motion within seven (7) days of the Voting Objection Reply Deadline but in no event later than the Confirmation Hearing (as defined below). The ruling by the Bankruptcy Court on any Determination Motion or Claims Estimation Motion shall be a ruling with respect to the allowance of the Claim(s) under Bankruptcy Rule 3018 and such Claim(s) will be counted, for voting purposes only, in the amount determined by the Bankruptcy Court. In the event a claimant reaches an agreement with the Movants, as to the treatment of a Claim for voting purposes, the Claim may be treated in such manner.

- (e) The Ballot does not constitute and will not be deemed a Proof of Claim or an assertion of a Claim.
- (f) If you cast more than one Ballot voting the same Claim prior to the Voting Deadline, the latest received properly completed Ballot will supersede any prior received Ballots.
- (g) NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, OTHER THAN WHAT IS CONTAINED IN THE MATERIALS MAILED WITH THIS BALLOT OR OTHER MATERIALS AUTHORIZED BY THE BANKRUPTCY COURT.
- (h) PLEASE RETURN YOUR BALLOT PROMPTLY. BALLOTS TRANSMITTED BY E-MAIL, FACSIMILE OR OTHER MEANS NOT SPECIFICALLY APPROVED BY THE BANKRUPTCY COURT, MAY BE ACCEPTED BY THE MOVANTS ON A CASE-BY-CASE BASIS.
- (i) IF YOU HAVE RECEIVED A DAMAGED BALLOT, HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE DEBTORS AT

Kurtzman Carson Consulting LLC
Suite 300
222 North Pacific Coast Highway
El Segundo, California 90245-5614
+1 (888) 249-2741 (Domestic)
+1 (310) 751-2605 (International)

DO NOT CONTACT THE DEBTORS FOR LEGAL ADVICE. THE DEBTORS CANNOT AND WILL NOT PROVIDE PARTIES WITH LEGAL ADVICE.

NOTICE REGARDING CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS IN THE PLAN

PLEASE BE ADVISED THAT SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN CONTAIN CERTAIN RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, INCLUDING:

Section 13.5 of the Plan contains the following Releases:

(a) **Releases Of Debtors.** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) **Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) **Limitation Of Claims Against The Liquidating Trust.** As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) **Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES.** THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

Section 13.6 of the Plan contains the following Injunctions:

(a) **General Injunction.** Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the following actions against any Released Party: (a) commencing, conducting or continuing in any manner, directly or indirectly, any action or other proceeding with respect to

a Claim; (b) enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c) creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing, conducting or continuing any proceeding that does not conform to or comply with or is contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall (i) limit the holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii) preclude the holders of Claims against the Debtors from enforcing any obligations of the Debtors, the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan and the contracts, instruments, releases and other agreements delivered in connection herewith, including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each holder of an Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this Section.

(b) Other Injunctions. The Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors or employees shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except those acts found by Final Order to arise out of its or their willful misconduct, gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties entitled to indemnification under this subsection shall be satisfied from either (i) the Liquidating Trust Assets (with respect to all claims, other than those claims related to the Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on the advice of retained professionals, if any.

Section 13.7 of the Plan contains the following Exculpation:

Exculpation. To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of this Section.

Section 13.8 of the Plan contains the following No Recourse by holders of Claims:

No Recourse. If a Claim is Allowed in an amount for which after application of the payment priorities established by this Plan (including, without limitation, in Sections 2 and 4 hereof) there is insufficient value to provide a recovery equal to that received by other holders of Allowed Claims in the respective Class, no Claim holder shall have recourse for any such deficiency against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this Plan shall modify any right of a holder of a Claim under § 502(j). The obligations under this Plan of the

Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have any personal or direct liability for these obligations. Approval of the Plan by the Confirmation Order shall not in any way limit the foregoing.

The Plan term "Released Parties" means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity on or after the Petition Date.

The term "Committee" under the Plan means, the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

THE EXCULPATION AND INJUNCTION PROVISIONS ARE FOUND IN SECTIONS 13.5, 13.6, 13.7 AND 13.8 OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, INJUNCTION AND NON-RECOURSE PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

Exhibit B

Plan Redline

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

- ☒ Affects All Debtors
☐ Affects Verity Health System of California, Inc.
☐ Affects O'Connor Hospital
☐ Affects Saint Louise Regional Hospital
☐ Affects St. Francis Medical Center
☐ Affects St. Vincent Medical Center
☐ Affects Seton Medical Center
☐ Affects O'Connor Hospital Foundation
☐ Affects Saint Louise Regional Hospital Foundation
☐ Affects St. Francis Medical Center of Lynwood Foundation
☐ Affects St. Vincent Foundation
☐ Affects St. Vincent Dialysis Center, Inc.
☐ Affects Seton Medical Center Foundation
☐ Affects Verity Business Services
☐ Affects Verity Medical Foundation
☐ Affects Verity Holdings, LLC
☐ Affects De Paul Ventures, LLC
☐ Affects De Paul Ventures - San Jose ASC, LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered With:

CASE NO.: 2:18-bk-20162-ER

CASE NO.: 2:18-bk-20163-ER

CASE NO.: 2:18-bk-20164-ER

CASE NO.: 2:18-bk-20165-ER

CASE NO.: 2:18-bk-20167-ER

CASE NO.: 2:18-bk-20168-ER

CASE NO.: 2:18-bk-20169-ER

CASE NO.: 2:18-bk-20171-ER

CASE NO.: 2:18-bk-20172-ER

CASE NO.: 2:18-bk-20173-ER

CASE NO.: 2:18-bk-20175-ER

CASE NO.: 2:18-bk-20176-ER

CASE NO.: 2:18-bk-20178-ER

CASE NO.: 2:18-bk-20179-ER

CASE NO.: 2:18-bk-20180-ER

CASE NO.: 2:18-bk-20181-ER

Chapter 11 Cases

Hon. Judge Ernest M. Robles

SECOND AMENDED JOINT CHAPTER 11
PLAN OF LIQUIDATION (DATED ~~JUNE~~
~~16, JULY 2,~~ 2020) OF THE DEBTORS, THE
PREPETITION SECURED CREDITORS, AND
THE COMMITTEE

Plan Confirmation Hearing:

Date: ~~To Be Scheduled~~ August 12, 2020

Time: ~~To Be Scheduled~~ 10:00 a.m. (Pacific
Time)

Place: Courtroom 1568

255 E. Temple Street

Los Angeles, CA 90012

SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
TANIA M. MOYRON (Bar No. 235736)
tania.moyron@dentons.com
NICHOLAS A. KOFFROTH (Bar No. 287854)
nicholas.koffroth@dentons.com
DENTONS US LLP
601 South Figueroa Street, Suite 2500
Los Angeles, California 90017-5704
Tel: (213) 623-9300 / Fax: (213) 623-9924

Attorneys for the Chapter 11 Debtors and
Debtors In Possession

NATHAN F. COCO (admitted *pro hac vice*)
ncoco@mwe.com
MEGAN M. PREUSKER (admitted *pro hac vice*)
mpreusker@mwe.com
MCDERMOTT WILL & EMERY LLP
444 West Lake Street
Chicago, Illinois 60606-0029
Tel: (312) 372-2000 / Fax: (312) 948-7700

Attorneys for U.S. Bank National Association
solely in its capacity, as the note indenture trustee
and as the collateral agent under the note
indenture relating to the 2015 Working Capital
Notes

BRUCE S. BENNETT (Bar No. 105430)
bbennett@jonesday.com
BENJAMIN ROSENBLUM (admitted *pro hac*
vice)
brosenblum@jonesday.com
PETER S. SABA (admitted *pro hac vice*)
psaba@jonesday.com
JONES DAY LLP
~~555 South Flower~~ 250 Vesey Street
~~Fiftieth Floor~~
~~Los Angeles, California 90071-2300~~
New York, New York 10281
Tel: ~~(213) 212~~ 489326-3939 / Fax: ~~(213)~~
~~243-2539~~ 212 755-7306

Attorneys for Verity MOB Financing, LLC and
Verity MOB Financing II, LLC†

PAUL J. RICOTTA (admitted *pro hac vice*)
pricotta@mintz.com
DANIEL S. BLECK (admitted *pro hac vice*)
dsbleck@mintz.com
MINTZ, LEVIN, COHN, FERRIS, GLOVSKY
AND POPEO, P.C.
One Financial Center
Boston, Massachusetts 02111
Tel: (617) 542-6000 / Fax: (617) 542-2241

Attorneys for UMB Bank, N.A., as Master
Indenture Trustee and Wells Fargo Bank,
National Association, as Indenture Trustee

CLARK T. WHITMORE (admitted *pro hac*
vice)
clark.whitmore@maslon.com
JASON REED (admitted *pro hac vice*)
jason.reed@maslon.com
MASLON LLP
90 South Seventh Street
Minneapolis, Minnesota 55402-4140
Tel: (312) 372-2000 / Fax: (312) 948-7700

Attorneys for U.S. Bank National Association
solely in its capacity, as the note indenture
trustee and as the collateral agent under the
note indenture relating to the 2017 Working
Capital Notes

GREGORY A. BRAY (Bar No. 115367)
gbray@milbank.com
MARK SHINDERMAN (Bar No. 136644)
mshinderman@milbank.com
JAMES C. BEHRENS (Bar No. 280365)
jbehrens@milbank.com
MILBANK LLP
2029 Century Park East
33rd Floor
Los Angeles, California 90067
Tel: (424) 386-4000 / Fax: (213) 629-5063

Attorneys for the Official Committee of
Unsecured Creditors

Table of Contents

SECTION 1.	DEFINITIONS AND INTERPRETATION.....	2
A.	Definitions	2
B.	Interpretation and Rules of Construction	21
C.	Controlling Document	22
SECTION 2.	ADMINISTRATIVE EXPENSE AND PRIORITY CLAIMS.	22
2.1	<i>Administrative Claims</i>	22
2.2	<i>Professional Claims</i>	22
2.3	<i>Statutory Fees</i>	23
2.4	<i>Priority Tax Claims</i>	23
SECTION 3.	CLASSIFICATION OF CLAIMS	23
3.1	<i>Classification in General</i>	23
3.2	<i>Grouping of Debtors for Deemed Substantive Consolidation</i>	23
3.3	<i>Summary of Classification</i>	24
3.4	<i>Special Provision Governing Unimpaired Claims</i>	24
3.5	<i>Elimination of Vacant Classes</i>	24
SECTION 4.	TREATMENT OF CLAIMS.....	24 <u>25</u>
4.1	<i>Class 1A: Priority Non-Tax Claims</i>	25
4.2	<i>Class 1B: Secured PACE Tax Financing Claims</i>	25
4.3	<i>Class 2: Secured 2017 Revenue Notes Claims</i>	25
4.4	<i>Class 3: Secured 2015 Revenue Notes Claims</i>	26
4.5	<i>Class 4: Secured 2005 Revenue Bond Claims</i>	26
4.6	<i>Class 5: Secured MOB I Financing Claims</i>	27
4.7	<i>Class 6: Secured MOB II Financing Claims</i>	27 <u>28</u>
4.8	<i>Class 7: Secured Mechanics Lien Claims</i>	28
4.9	<i>Class 8: General Unsecured Claims</i>	28
4.10	<i>Class 9: Insured Claims</i>	28
4.11	<i>Class 10: 2016 Data Breach Claims</i>	29 <u>30</u>
4.12	<i>Class 11: Subordinated General Unsecured Claims</i>	30
4.13	<i>Class 12: Interests</i>	30
SECTION 5.	POST-EFFECTIVE DATE GOVERNANCE.....	30

1	5.1	<i>Dissolution of Certain Debtors</i>	30	
2	5.2	<i>Dissolution of Certain Non-Debtor Affiliates</i>	30	
3	5.3	<i>Dissolution of Sale-Leaseback Debtor Foundations</i>	30 <u>31</u>	
4	5.4	<i>Dissolution of the SCC Debtor Foundations</i>	31	
5	5.5	<i>Dissolution of VMF <u>St. Vincent Foundation</u></i>	31	
6	5.6	<i><u>Dissolution of VMF</u></i>	<u>31</u>	
7	5.7	<i><u>Disposition of Marillac</u></i>	31	
8	5.7 <u>5.8</u>	<i><u>Continued Existence of Post-Effective Date Debtors After the Effective Date</u></i>	31 <u>31</u>	
9	5.8 <u>5.9</u>	<i><u>Post-Effective Date Board of Directors</u></i>	34	
10	5.10	<i><u>Document Preservation</u></i>	<u>35</u>	
11	SECTION 6.	THE LIQUIDATING TRUST	35	
12	6.1	<i>Creation</i>	35	
13	6.2	<i>Purposes of the Liquidating Trust</i>	35	
14	6.3	<i>The Liquidating Trust Agreement</i>	35 <u>36</u>	
15	6.4	<i>Operations of the Liquidating Trust</i>	36	
16	6.5	<i>Liquidating Trustee</i>	36	
17	6.6	<i>Books and Records</i>	40	
18	6.7	<i>Payment of Trust Expenses</i>	40	
19	6.8	<i>Employment and Compensation of Professionals</i>	40	
20	6.9	<i>Limitation of Liability of the Liquidating Trustee and the</i> <i>Post-Effective Date Committee</i>	40 <u>41</u>	
21	6.10	<i>Termination of the Trust</i>	41	
22	SECTION 7.	MEANS FOR IMPLEMENTATION OF THE PLAN	41 <u>42</u>	
23	7.1	<i>Creditor Settlement Agreements</i>	41 <u>42</u>	
24	7.2	<i>Deemed Substantive Consolidation</i>	44 <u>45</u>	
25	7.3	<i>Cancellation of Existing Indentures and Related Securities</i>	45 <u>46</u>	
26	7.4	<i>Funding for Distributions</i>	46	
27	7.5	<i>No Further Court Authorization</i>	46	
28	7.6	<i>Operating Accounts for the Post-Effective Date Debtors</i>	46 <u>47</u>	
	7.7	<i>Transfer of Certain Funds Into the Liquidating Trust</i>	46 <u>47</u>	
	7.8	<i>Funding of the Liquidating Trust Administration Accounts</i>	48 <u>49</u>	
	7.9	<i>Liquidating Trust Reserves</i>	49	
	7.10	<i>Plan Fund</i>	50	

1	7.11 <i>Post-Effective Date Committee</i>	51
2	7.12 <i>Coordination Between Post-Effective Date Debtors and the</i> <i>Liquidating Trust</i>	52
3	7.13 <i>Destruction and Abandonment of Books and Records</i>	52
4	7.14 <i>Preservation of Insurance</i>	52 <u>53</u>
5	7.15 <i>Mutuality preserved</i>	52 <u>53</u>
6	SECTION 8. DISTRIBUTIONS	52 <u>53</u>
7	8.1 <i>Party Responsible for Making Distributions</i>	52 <u>53</u>
8	8.2 <i>Appointment of Disbursing Agent</i>	53
9	8.3 <i>Timing of Distributions</i>	53
10	8.4 <i>Withholding of Distributions</i>	53
11	8.5 <i>Delivery of Distributions and Undeliverable Distributions</i>	53 <u>54</u>
12	8.6 <i>Setoffs</i>	54
13	8.7 <i>De Minimis Distributions</i>	54 <u>55</u>
14	8.8 <i>Allocation of Plan Distribution Between Principal and Interest</i>	54 <u>55</u>
15	8.9 <i>Entry of Final Decree in Chapter 11 Cases</i>	55
16	SECTION 9. TRUST BENEFICIARIES	55
17	9.1 <i>Identification of Trust Beneficiaries</i>	55
18	9.2 <i>Beneficial Interests Only</i>	55
19	9.3 <i>Ownership of Beneficial Interests Hereunder</i>	55 <u>56</u>
20	9.4 <i>Evidence of Beneficial Interests</i>	55 <u>56</u>
21	9.5 <i>Conflicting Claims</i>	55 <u>56</u>
22	9.6 <i>Limitation on Transferability</i>	56
23	SECTION 10. PROCEDURES FOR TREATING AND RESOLVING DISPUTED CLAIMS	56
24	10.1 <i>Objection to Claims</i>	56
25	10.2 <i>Disallowed Claims</i>	56 <u>57</u>
26	10.3 <i>No Distribution Pending Allowance</i>	56 <u>57</u>
27	10.4 <i>Distributions After Allowance</i>	57
28	10.5 <i>Disputed Claims</i>	57
	10.6 <i>Cumulative Effect</i>	58
	SECTION 11. EXECUTORY AGREEMENTS	58
	11.1 <i>General Treatment</i>	58

1	11.2 <i>Bar Date for Rejection Damages</i>	58 <u>59</u>
2	11.3 <i>Insurance Policies</i>	58 <u>59</u>
3	SECTION 12. CONDITIONS PRECEDENT TO EFFECTIVE DATE	59 <u>60</u>
4	12.1 <i>Conditions Precedent to Confirmation of Plan</i>	59 <u>60</u>
5	12.2 <i>Conditions to Effective Date</i>	59 <u>60</u>
6	12.3 <i>Waiver of Conditions</i>	60
7	SECTION 13. EFFECT OF CONFIRMATION	60
8	13.1 <i>Vesting of Assets</i>	60
9	13.2 <i>No Discharge</i>	60 <u>61</u>
10	13.3 <i>Settlement of Causes of Action Relating to Claims</i>	60 <u>61</u>
11	13.4 <i>Extension of Existing Injunctions and Stays</i>	60 <u>61</u>
12	13.5 <i>Releases</i>	61
13	13.6 <i>Injunctions</i>	62
14	13.7 <i>Exculpation</i>	63
15	13.8 <i>No Recourse</i>	63 <u>64</u>
16	13.9 <i>Preservation of Causes of Action</i>	63 <u>64</u>
17	13.10 <i>Termination of Responsibilities of the Patient Care Ombudsman</i>	65 <u>66</u>
18	SECTION 14. RETENTION OF JURISDICTION	66
19	14.1 <i>Bankruptcy Court Jurisdiction</i>	66
20	SECTION 15. MISCELLANEOUS PROVISIONS	68
21	15.1 <i>Termination of All Employee, Retiree and Workers' Compensation Benefits</i>	68
22	15.2 <i>Termination of Collective Bargaining Agreements</i>	68
23	15.3 <i>Administrative Claims Bar Date</i>	68
24	15.4 <i>Exemption from Transfer Taxes</i>	68 <u>69</u>
25	15.5 <i>Amendments</i>	69
26	15.6 <i>Revocation or Withdrawal of Plan</i>	69
27	15.7 <i>Severability</i>	69
28	15.8 <i>Request for Expedited Determination of Taxes</i>	69 <u>70</u>
	15.9 <i>U.S. Trustee Quarterly Fees and Post-Confirmation Status Reports</i>	69 <u>70</u>
	15.10 <i>Courts of Competent Jurisdiction</i>	70
	15.11 <i>Governing Law</i>	70

1	15.12 <i>Continuing Effect of the Bankruptcy Court Orders and Settlement</i>	
2	<i>Stipulations</i>	70
3	15.13 <i>Time</i>	70
4	15.14 <i>Business Day Transactions</i>	70 <u>71</u>
5	15.15 <i>Headings</i>	70 <u>71</u>
6	15.16 <i>Exhibits</i>	70 <u>71</u>
7	15.17 <i>Notices</i>	70 <u>71</u>
8	15.18 <i>Post-Effective Date Notices</i>	72
9	15.19 <i>Conflict of Terms</i>	72

INTRODUCTION¹

The Debtors, the Prepetition Secured Creditors, and the Committee propose the following amended chapter 11 plan (as further defined below, the “**Plan**”), pursuant to § 1121(a) of the Bankruptcy Code.² Creditors should refer to the Disclosure Statement filed or to be filed in connection with this Plan, including the exhibits thereto, for a discussion of the Debtors’ history, business, properties, results of operations, and future projections and risk factors, together with a summary and analysis of this Plan.

The Plan proposes to pay Allowed Secured Claims and Allowed Administrative Claims in full on the Effective Date except for the 2005 Bonds Diminution Claim, payment of which will be deferred post-Effective Date to allow for the payment of the foregoing Claims in exchange for, among other things, (i) the dismissal of certain litigation commenced by the Committee, and (ii) the waiver of challenge claims preserved against Verity MOB Financing LLC and Verity MOB Financing II LLC under the Final DIP Order and the Cash Collateral Orders. The Plan also proposes the resolution of certain other Claims and the distribution of proceeds to Holders of Allowed Claims. Claims against the Debtors—other than Unclassified Claims—are classified in Section 3 and treated in accordance with Section 4 hereof.³ The Plan provides that a Liquidating Trustee will continue the wind-down and liquidation of the Debtors after the Effective Date, and will oversee the operations of the Post-Effective Date Debtors during the Sale Leaseback Period in accordance with the Interim Agreements and the Transition Services Agreements.

The Plan requests the Bankruptcy Court approve and implement the terms of (i) the Creditor Settlement Agreements, including the Plan Settlement, and (ii) all documents necessary to effectuate the Plan. To the extent that there are any inconsistencies between the terms of the Creditor Settlement Agreements, the Interim Agreements, the Transition Services Agreements and/or the Plan or Confirmation Order, unless otherwise expressly provided for in such Creditor Settlement Agreements, Interim Agreements, Transition Services Agreements and/or the Plan, the terms of this Plan shall govern. In the event of a conflict between the Plan and Confirmation Order, the Confirmation Order shall govern.

NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH AND APPROVED BY THE COURT, HAVE BEEN AUTHORIZED BY THE COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTION OF THIS PLAN. ALL HOLDERS OF CLAIMS ARE ENCOURAGED TO READ THE PLAN AND DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

¹ Capitalized terms not otherwise defined in this Introduction have the definitions set forth in Section 1 of this Plan.

² All references to “§” herein are to the Bankruptcy Code, unless otherwise noted.

³ All references to “Article” and “Section” herein are to the articles and sections of this Plan unless otherwise noted.

SECTION 1. DEFINITIONS AND INTERPRETATION

A. Definitions. The following terms used herein shall have the respective meanings defined below (such meanings to be equally applicable to both the singular and plural):

1.1 **2005 Revenue Bonds Diminution Claim** means that portion of the Secured 2005 Revenue Bonds Claim (as more fully described and calculated in accordance with Section 4.5(b) below) which remains unpaid after payment on the Effective Date of (i) an amount equal to the Initial Secured 2005 Revenue Bonds Claims Payment, plus (ii) the amounts applied by the 2005 Revenue Bonds Trustee to the Secured 2005 Revenue Bonds Claim which are held in a (1) principal or revenue account, (2) debt service or redemption reserve, or (3) an escrow or expense reserve account, plus (iii)(a) accrued, but unpaid postpetition interest, if any, at the rate specified in the 2005 Revenue Bond Indentures through and including the Effective Date, excluding any interest at the default rate or the Tax Rate, or any applicable redemption or other premium, and (b) any accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds Trustee and the Master Trustee pursuant to the Final DIP Order and Cash Collateral Orders through and including the Effective Date. The 2005 Revenue Bonds Diminution Claim shall be in an amount no greater than \$135,245,000.00, plus interest, to be paid after the Effective Date, pursuant to Section 4.5 hereof and the Plan Settlement.

1.2 **2005 Revenue Bonds Trustee** means Wells Fargo Bank, National Association, as trustee for those certain bonds issued pursuant to the 2005 Revenue Bonds Indentures.

1.3 **2005 Series A, G and H Revenue Bonds** means those series of outstanding bonds issued by the CSCDA, pursuant to the terms of the 2005 Revenue Bonds Indentures.

1.4 **2005 Revenue Bonds Indentures** means those certain bond indentures, dated as of February 1, 2005, as amended and supplemented, between the CSCDA and the 2005 Revenue Bonds Trustee, supported by the Obligations arising in connection with those certain Loan Agreements, dated February 1, 2005, between the Daughters of Charity Health System and CSCDA, and secured by the collateral pledged to the Master Trustee for the benefit of the Series A, G and H Revenue Bonds.

1.5 **2015 Notes Trustee** means U.S. Bank, National Association, solely in its capacity as trustee for those certain notes issued pursuant to the 2015 Revenue Notes Indentures.

1.6 **2015 Revenue Notes** means those outstanding Series A, B, C and D notes issued by the CPFA, pursuant to the terms of the 2015 Revenue Notes Indentures.

1.7 **2015 Revenue Notes Indentures** means those certain note indentures, dated as of December 1, 2015, between the CPFA and the 2015 Notes Trustee, supported by the Obligations arising in connection with those certain Loan Agreements, dated as of December 1, 2015, between VHS and CPFA, and secured by the collateral pledged to the Master Trustee for the benefit of the 2015 Revenue Notes.

1.8 **2016 Data Breach Claims** means all timely filed Claims for damages asserted by any individual whose personally identifiable information was disclosed, in the data breach occurring on April 27, 2016, and subject to the extended Bar Date set forth in the Bankruptcy Court's order [Docket No. 2434].

1.9 **2017 Notes Trustee** means U.S. Bank, National Association, solely in its capacity, as trustee for those certain notes issues pursuant to the 2017 Revenue Notes Indentures, dated as of December 1, 2017, pursuant to the 2017 Revenue Notes Indentures.

1.10 **2017 Revenue Notes** means those outstanding Series A, B, C and D notes issued by the CPFA, pursuant to the terms of the 2017 Revenue Notes Indentures.

1.11 **2017 Revenue Notes Indentures** means those certain note indentures, dated as of December 1, 2017, between the CPFA and the 2017 Notes Trustee, supported by the Obligations arising in connection with those certain Loan Agreements, dated as of December 1, 2017, between VHS and CPFA and secured by the collateral pledged to the Master Trustee for the benefit of the 2017 Revenue Notes.

1.12 **Adequate Protection Payments** means any and all payments made by the Debtors prior to the Effective Date to or for the benefit of the Prepetition Secured Creditors pursuant to the section 5(b) of Final DIP Order and/or the Cash Collateral Orders.

1.13 **Administrative Claim** means a Request for Payment of an administrative expense of a kind specified in § 503(b) and entitled to priority pursuant to § 507(a)(2), including, but not limited to, the actual, necessary costs and expenses, incurred on or after the Petition Date, of preserving the Estates and operating the business of the Debtors, including wages, salaries, or commissions for services rendered after the commencement of the Chapter 11 Cases, Section 503(b)(9) Claims, and Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court (under § 546(c)(2)(A) or otherwise), but excluding Professional Claims, and Statutory Fees, which are separately defined below.

1.14 **Administrative Claims Bar Date** means the deadline set by an order of the Bankruptcy Court by which holders of Administrative Claims, other than Administrative Claims arising in the ordinary course of business for

1 the Debtors, must assert Administrative Claims or be forever barred, which
2 shall be not less than 14 days prior to the date of the Confirmation Hearing.

3 1.15 ***Administrative Claims Reserve*** means Cash to be set aside
4 by the Debtors on the Effective Date in an aggregate amount sufficient to fund a
5 reserve for the payment of all unpaid Allowed Administrative Claims that will
6 be paid after the Effective Date and all Administrative Claims that are not yet
7 Allowed as of the Effective Date. The amount of such reserve shall be
8 determined and approved by the Bankruptcy Court at the Confirmation Hearing
9 in accordance with the procedures established in Section 15.3.

10 1.16 ***AHMC*** means AHMC Healthcare Inc., or its designee under
11 the Seton Asset Purchase Agreement.

12 1.17 ***Allowed*** means for distribution purposes, a Claim, or any
13 portion thereof, or a particular Class of Claims (a) that is Allowed by a Final
14 Order of the Bankruptcy Court (or such other court as the Liquidating Trustee
15 and the Holder of such Claim agree may adjudicate such Claim and objections
16 thereto), (b) that is Allowed by this Plan and/or Confirmation Order, (c) which
17 is not the subject of a Proof of Claim timely filed with the Bankruptcy Court
18 and is Scheduled as liquidated and noncontingent (other than a Claim that is
19 Scheduled at zero, in an unknown amount, or as disputed), but only to the extent
20 such Claim is Scheduled as liquidated and noncontingent, (d) for which a Proof
21 of Claim in a liquidated amount has been timely filed with the Bankruptcy
22 Court pursuant to the Bankruptcy Code or deemed timely filed by any Final
23 Order of the Bankruptcy Court or other applicable bankruptcy law, and as to
24 which (i) no objection to its allowance has been filed within the periods of
25 limitation fixed by the Plan, the Bankruptcy Code, or by any order of the
26 Bankruptcy Court, (ii) any objection to its allowance has been settled or
27 withdrawn, or has been denied by a Final Order of the Bankruptcy Court, or,
28 (iii) following the Effective Date, with respect to General Unsecured Claims, as
otherwise may be determined by the Liquidating Trust in accordance with the
Plan and the Liquidating Trust Agreement, or (d) that is expressly allowed in a
liquidated amount pursuant to this Plan.

1.18 ***Assets*** means all legal or equitable interests of the Estates in
any and all (a) property of every kind, nature, character and description,
whether real, personal, or mixed, whether tangible or intangible (including
contract rights), wherever situated and by whomever possessed, and any
goodwill related thereto, including any real estate, buildings, structures,
improvements, privileges, rights, easements, leases, subleases, goods,
materials, supplies, furniture, fixtures, equipment, work in process, accounts,
chattel paper, cash (including, but not limited to, cash of the Foundations that is
not properly donor-restricted), deposit accounts, reserves, deposits, contractual
rights, intellectual property rights, claims, Causes of Action, securities,
investments and any other general intangibles, and (b) the proceeds, products,

1 offspring, rents or profits thereof, including all assets of any of the Debtors
2 constituting “property of the estate” as described in § 541.

3 1.19 **Avoidance Actions** means any Causes of Action arising
4 under any section of chapter 5 of the Bankruptcy Code, including, without
5 limitation, §§ 502, 510, 541, 542, 543, 544, 545, 547, 548, 549, 550, 551, and
6 553 or under similar or related state or federal statutes and common law,
7 including state fraudulent transfer laws.

8 1.20 **Ballot Deadline** means the date all Ballots must be properly
9 executed, completed and delivered by First Class Mail, overnight courier, or
10 hand delivery, to KCC, at 222 N. Pacific Coast Highway, 3rd Floor, El
11 Segundo, CA 90245, so as to be actually received by KCC no later than 4:00
12 p.m. (Pacific Time), on the date set by the Bankruptcy Court in the Disclosure
13 Statement Order.

14 1.21 **Bankruptcy Code** means title 11 of the United States Code,
15 11 U.S.C. §§ 101, *et seq.*, as amended.

16 1.22 **Bankruptcy Court** means the United States Bankruptcy
17 Court for the Central District of California, except to the extent the
18 jurisdictional reference of the Bankruptcy Court has been withdrawn to the
19 United States District Court for the Central District of California, pursuant to
20 section 157(d) of title 28 of the United States Code.

21 1.23 **Bankruptcy Rules** means the Federal Rules of Bankruptcy
22 Procedure as promulgated by the United States Supreme Court under section
23 2075 of title 28 of the United States Code, as may be amended from time to
24 time.

25 1.24 **Bar Date** means the applicable deadlines by which a Proof
26 of Claim or Request for Payment must be, or must have been, filed in these
27 Chapter 11 Cases, as established by either an order of the Bankruptcy Court or
28 this Plan, including without limitation, (a) the April 1, 2019, deadline to file
Proofs of Claim relating to prepetition Claims, (b) the September 30, 2019
extended deadline for 2016 Data Breach Claims, (c) the October 11, 2019
extended deadline for certain wage and hour claims pursuant to the *Order*
Approving Notice of Extended Bar Date re Certain Wage and Hour Claims
[Docket No. 2692], and (d) the Administrative Claims Bar Date..

1.25 **Bar Date Order** means any order of the Bankruptcy Court
establishing Bar Dates for filing Proofs of Claim or Requests for Payment in
these Chapter 11 Cases, as the same may be amended, modified or
supplemented including, but not limited to, those orders at Docket Nos. 1528,
2434, 2435, 2436, 2537, and 2692.

1.26 **Bond and Notes Trustee(s)** means all or any of the 2005 Revenue Bonds Trustee, the 2015 Notes Trustee and the 2017 Revenue Notes Trustee, as the context requires.

1.27 **Business Day** means any day other than a Saturday, a Sunday, or any other day on which banking institutions in the State of California are required or authorized to close by law or executive order.

1.28 **Cash** means the legal tender of the United States of America and its equivalent.

1.29 **Cash Collateral Orders** means, collectively, the orders authorizing use of cash collateral entered under Docket Nos. 3022, 3883, 4028, 4187, and 4670, and any subsequent orders authorizing the use of cash collateral, the terms of which may be agreed to between the Debtors and the Prepetition Secured Creditors.

1.30 **Causes of Action** means any and all present or future claims, rights, legal and equitable defenses, offsets, recoupments, actions in law or equity or otherwise, choses in action, obligation, guaranty, controversy, demand, action suits, damages, judgments, third-party claims, counter-claims, cross-claims against any Person, whether known or unknown, liquidated or unliquidated, foreseen or unforeseen, existing or hereafter arising, whether based on legal or equitable relief, whether arising under the Bankruptcy Code or federal, state, common, or other law or equity, whether or not the subject of a pending litigation or proceedings on the Effective Date or thereafter, including without limitation: (a) all Avoidance Actions; (b) all other claims in avoidance, recovery, and/or subordination; (c) all SGM Claims; (d) all claims against Integrity Healthcare, LLC and BlueMountain Capital Management LLC; and (e) all other actions described in the Disclosure Statement, the Confirmation Order, the Schedules, or the Plan; provided, however, (x) any claims arising under the Interim Agreements and (y) any claims or other litigation compromised as part of a Creditor Settlement Agreement, are, in each case, excluded.

1.31 **CDPH** means the California Department of Public Health.

1.32 **Chapter 11 Cases** means the voluntary cases commenced by each of the Debtors under chapter 11 of the Bankruptcy Code on the Petition Date and administered jointly under caption, *In re Verity Health System of California, Inc., et al.*, Lead Case No. 2:18-bk-20151-ER, which are currently pending before the Bankruptcy Court. Unless otherwise noted, all references to a docket or docket entry herein refer to the docket of the Lead Case.

1.33 **Claim** has the meaning set forth in § 101(5).

1.34 **Claims Objection Deadline** means the first Business Day that is the later of (a) two hundred ten (210) days after the Effective Date, or (b)

such other later date as the Bankruptcy Court may establish upon a motion by the Liquidating Trustee in accordance with the Plan.

1.35 **Class** means a class of Claims established pursuant to Section 4 herein.

1.36 **CMS** means Centers for Medicare and Medicaid Services.

1.37 **Committee** means the Official Committee of Unsecured Creditors appointed on September 17, 2018, by the U.S. Trustee in these Chapter 11 Cases pursuant to § 1102 [Docket No. 197].

1.38 **Confirmation Date** means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket of the Lead Case.

1.39 **Confirmation Hearing** means the hearing to be held by the Bankruptcy Court to consider confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

1.40 **Confirmation Order** means the order of the Bankruptcy Court confirming this Plan pursuant to § 1129.

1.41 **Consent** means consent of a party that is not to be unreasonably withheld or delayed.

1.42 **CPFA** means the California Public Financing Authority.

1.43 **Creditor Settlement Agreements** mean, collectively, any settlements that the Debtors enter into with creditors to resolve Causes of Action, claims, and/or litigation in connection with or relating to the Plan, which shall be filed seven (7) days prior to the Ballot Deadline, if not earlier, as a Plan Supplement, unless such deadline shall otherwise be extended with the consent of the Plan Proponents, which shall not be unreasonably withheld or delayed.

1.44 **Creditor Settlement Parties** means, collectively, parties to Creditor Settlement Agreements.

1.45 **CSCDA** means the California Statewide Communities Development Authority.

1.46 **Debtors** means, collectively, VHS and its sixteen affiliates, listed on Schedule 1.41 hereto, in their capacity as debtors and debtors in possession in these Chapter 11 Cases.

1.47 **Defined Contribution Plans** means, collectively, the qualified and non-qualified 401(a), 401(k), 403(b), and 457(b) defined contribution plans maintained by certain Debtors.

1.48 **DePaul Ventures** means DePaul Ventures, LLC, a debtor and debtor in possession.

1.49 **DePaul - San Jose ASC** means De Paul Ventures - San Jose ASC, LLC, a Non-Debtor Affiliate.

1.50 **DePaul - San Jose Dialysis** means DePaul Ventures - San Jose Dialysis, LLC, a debtor and debtor in possession.

1.51 **DHC** means California Department of Health Care Service.

1.52 **DHHS** means the United States Department of Health and Human Services.

1.53 **Disallowed** means, with respect to any Claim or Interest, any Claim or Interest (i) proof of which was required to be filed by the Bankruptcy Code or an order of the Bankruptcy Court, but as to which no proof of Claim or Interest was timely or properly filed, (ii) which has been withdrawn in whole or in part, by an agreement between the Debtors or the Trust and the Holder thereof or unilaterally by the Holder thereof, or (iii) which has been disallowed, in whole or in part, by a Final Order or pursuant to this Plan. In the event that a Claim is disallowed in part, then the Claim may be an Allowed Claim with respect to amounts asserted under the Claim which have not been disallowed.

1.54 **District Court** means the United States District Court for the Central District of California.

1.55 **Disclosure Statement** means the disclosure statement filed with the Bankruptcy Court by the Debtors, pursuant to § 1125, with respect to the Plan, including all exhibits and schedules thereto, which was approved by the Bankruptcy Court pursuant to § 1125, as it may be amended, modified or supplemented from time to time.

1.56 **Disbursing Agent** means KCC in its capacity as a disbursing agent under Section 8 hereof.

1.57 **Disputed** means, with respect to any Claim:

(a) if no Proof of Claim has been filed by the applicable Bar Date, a Claim that

is:

(i) listed on the Schedules as either disputed, contingent, or unliquidated; or

1 (ii) subject to an objection or a request for estimation that has been filed
2 by the Claims Objection Deadline and has not been withdrawn or
3 determined by a Final Order; or
4 which: (b) if a Proof of Claim has been filed by the applicable Bar Date, a Claim as to
5 (i) no corresponding Claim is listed on the Schedules;
6 (ii) a corresponding Claim is listed on the Schedules as disputed,
7 contingent, or unliquidated;
8 (iii) a corresponding Claim is listed on the Schedules not as disputed,
9 contingent, or unliquidated, but the nature or amount of the Claim as
10 asserted in the Proof of Claim varies from the nature and amount of such
11 Claim as listed on the Schedules; or
12 (iv) an objection or a request for estimation has been interposed by the
Claims Objection Deadline that, in either instance, has not been withdrawn
or determined pursuant to a Final Order.

13 1.58 ***Disputed Unclassified Claims*** means Unclassified Claims
14 that are Disputed.

15 1.59 ***Disputed Unsecured Claims Reserve*** means the reserve for
Disputed General Unsecured Claims established under Section 7.9(c) hereof.

16 1.60 ***Effective Date*** means a day, as determined by the Plan
17 Proponents, that is a Business Day as soon as reasonably practicable after all
18 conditions to the Effective Date specified in Section 12.2 hereof have been
satisfied or waived.

19 1.61 ***Effective Date Professional Claim Reserves***. Cash to be set
20 aside by the Liquidating Trustee on the Effective Date sufficient in the
aggregate to fund a reserve on account of Professional Claims not yet fixed and
21 allowed by the Bankruptcy Court prior to or on the Effective Date.

22 1.62 ***ERISA*** means Title IV of the Employee Retirement Income
Security Act of 1974, as amended.

23 1.63 ***Estates*** means, as to each Debtor, the estates created upon
24 the Petition Date pursuant to § 541.

25 1.64 ***Executory Agreement*** means any executory contract or
26 unexpired lease subject to § 365, excluding (a) the Debtors' collective
27 bargaining agreements, and (b) any executory contract or unexpired lease
28 entered into after the Petition Date and approved by an order of the Bankruptcy
Court.

1.65 **Foundations** means collectively the following Debtor nonprofit public benefit corporations that are responsible for fundraising and grant-making programs for each of their respective Debtor hospitals: O'Connor Hospital Foundation, Saint Louise Regional Hospital Foundation, St. Francis Medical Center of Lynwood Foundation, St. Vincent Foundation, and Seton Medical Center Foundation.

1.66 **Final DIP Order** means the *Final Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 409] entered by the Bankruptcy Court on October 5, 2018.

1.67 **Final Order** means an order or judgment, the operation or effect of which has not been reversed, stayed, modified, or amended, is in full force and effect, and as to which order or judgment (or any reversal, stay, modification, or amendment thereof) (a) the time to appeal, seek *certiorari*, or request reargument, further review, or rehearing has expired and no appeal, petition for *certiorari*, request for reargument or further review, or rehearing has been timely filed, or (b) any appeal that has been or may be taken, or any petition for *certiorari* or request for reargument or further review or rehearing that has been or may be filed, has been resolved by the highest court to which the order or judgment was appealed, from which *certiorari* was sought, or to which the request was made, and no further appeal, petition for *certiorari*, request for reargument, or further review or rehearing has been or can be taken or granted; provided, however, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order shall not prevent such order from being a Final Order; provided, further, that the Debtors or Liquidating Trustee, as applicable, reserve the right to waive any appeal period for an order or judgment to become a Final Order.

1.68 **First Priority Trust Beneficial Interests** means the first priority Trust Beneficial Interest in the Plan Fund provided to the Holders of the Secured 2005 Revenue Bonds Claims which shall entitle such Holders to receive payment on the 2005 Revenue Bonds Diminution Claim until fully satisfied and before any payment on account of Second Priority Trust Beneficial Interests held by Holders of Allowed General Unsecured Claims.

1.69 **General Unsecured Claim** means (i) any unsecured claim that is not an Insured Claim, 2016 Data Breach Claim, or Subordinated General Unsecured Claim, (ii) any Claim for damages resulting from or based on the Debtors' rejection of an Executory Agreement, or (iii) any Claim that is determined by the Bankruptcy Court to be a prepetition general unsecured claim that is not entitled to priority or subject to subordination pursuant to this Plan.

1.70 **Governmental Unit** has the definition set forth in § 101(27).

1.71 **Holder** means a holder of a Claim against, or Interest in, the Debtors.

1.72 **Holdings** means Verity Holdings, LLC, as debtor and debtor in possession.

1.73 **Hospital Licenses** means licenses and permits issued by the CDPH and the California State Board of Pharmacy.

1.74 **Hospital Premises** means all locations where SFMC and Seton provide hospital services, including their primary locations at (i) 3630 East Imperial Highway, Lynwood, California 90262; (ii) 1900 Sullivan Avenue, Daly City, California 94015; (iii) 600 Marine Boulevard, Moss Beach, California 94038, respectively; and such other locations where SFMC and Seton provide hospital services.

1.75 **Hospital Purchased Assets** means the assets purchased by Prime and AHMC pursuant to the SFMC Asset Purchase Agreement and Seton Asset Purchase Agreement, respectively. For the avoidance of doubt, the Hospital Purchased Assets relate only to the Hospitals subject to the SFMC Sale and Seton Sale.

1.76 **Hospitals** means the hospitals and related facilities operated by SFMC and Seton subject to the SFMC Sale and Seton Sale.

1.77 **Impaired** means, with respect to a Class of Claims, that such Class is “impaired” within the meaning of § 1124.

1.78 **Indenture Trustees** means, collectively, the Master Trustee, the 2005 Revenue Bonds Trustee, the 2015 Notes Trustee and the 2017 Notes Trustee.

1.79 **Indemnification Claim** means any Claim for indemnification, subrogation, contribution, or reimbursement for all liabilities, loss, damages, costs and expenses of whatever kind, including attorneys’ fees.

1.80 **Initial Secured 2005 Revenue Bonds Claims Payment** means the Cash on hand of the Debtors as of the Effective Date, net of the Cash (i) necessary to satisfy all Unclassified Claims and Class 1A Claims that are Allowed on or prior to the Effective Date, (ii) necessary to satisfy all Allowed Claims payable on the Effective Date to Classes 2, 3, 5, 6 and 7, and (iii) reserved under the Liquidating Trust Agreement, but in no event shall such amount be less than \$98,200,000.00.

1.81 **Insurance Policy** means any insurance policy maintained by or for the benefit of the Debtors set forth in a schedule to the Plan Supplement.

1.82 **Insured Claims** means a Claim against any of the Debtors, their respective Estates, Assets or properties arising from any incident or occurrence that is covered by an applicable and available Insurance Policy.

1.83 **Insured Deficiency Claim** has the definition set forth in Section 4.10 hereof.

1.84 **Insurer** means any entity that issued an Insurance Policy, including a successor.

1.85 **Intercompany Claims** means any Claims held by a Debtor or a Non-Debtor Affiliate against a Debtor or Non-Debtor Affiliate, including, without limitation, any Indemnification Claim between and/or among the Debtors.

1.86 **Intercreditor Agreement** means the Second Amended and Restated Intercreditor Agreement, dated as of December 1, 2017, by and among VHS, on behalf of itself, and each Obligated Group Member, the 2015 Notes Trustee, the 2017 Notes Trustee and the Master Trustee.

1.87 **Interests** means any ownership interest in any of the Debtors, including but not limited to, membership interests or other entitlement to participate in the organizational affairs of a nonprofit entity organized under the laws of the State of California or equity interests in any for-profit corporation, partnership or limited liability company organized under the laws of any jurisdiction, including common stock, preferred stock, stock options and restricted stock awards.

1.88 **Interim Agreements** means, collectively, the Seton Interim Management Agreement, the Seton Interim Leaseback Agreement, the SFMC Interim Management Agreement, and the SFMC Interim Leaseback Agreement.

1.89 **Interim Leaseback Agreements** means, collectively, the Seton Interim Leaseback Agreement and the SFMC Interim Leaseback Agreement.

1.90 **Interim Management Agreements** means, collectively, the Seton Interim Management Agreement and the SFMC Interim Management Agreement.

1.91 **IRC** means the Internal Revenue Code of 1986, as amended, and any applicable regulations (including temporary and proposed regulations) promulgated thereunder by the United States Treasury Department.

1.92 **KCC** means Kurtzman Carson Consultants LLC.

1.93 **Lead Case** means *In re Verity Health System of California, Inc.*, Lead Case No. 2:18-bk-20151-ER, under which the Chapter 11 Cases are jointly administered, pursuant to Bankruptcy Rule 1015(b), and the order entered by the Bankruptcy Court granting joint administration [Docket No. 17].

1.94 **Liquidating Trust** means the liquidating trust created pursuant to Section 6 herein.

1.95 **Liquidating Trust Administration Accounts** means one or more deposit accounts to be established pursuant to Section 7.8 of the Plan and maintained by the Liquidating Trustee to pay any and all reasonable costs and expenses incurred in implementing the terms of the Plan, as set forth in the Liquidating Trust Agreement.

1.96 **Liquidating Trust Agreement** means the Liquidating Trust Agreement, to be dated on or prior to the Effective Date, between the Debtors and the Liquidating Trustee, governing the disposition of the Liquidating Trust Assets, the distribution of the proceeds thereof in accordance with the Plan, and setting forth the duties and obligations of the Liquidating Trustee.

1.97 **Liquidating Trust Assets** means any and all Assets of the Estates (other than the Operating Assets, the Hospital Purchased Assets, the rights under the Interim Agreements and any claim, litigation or Cause of Action compromised as part of a Creditor Settlement Agreement) of every kind and character, wherever located, whether real or personal, tangible or intangible, transferred to the Liquidating Trust pursuant to the Plan and the Liquidating Trust Agreement, including, without limitation, to the extent not otherwise excluded by this definition:

(a) all Remaining Cash;

(b) all Causes of Action and the proceeds from the prosecution and/or settlement thereof;

(c) all rights, claims and/or assets under any and all contracts, agreements, and licenses (whether or not executory contracts, and whether or not rejected or assumed) of the Debtors, including all rights and/or assets retained by any of the Debtors, as the sellers under their respective asset sale agreements with third-party purchasers approved by the Bankruptcy Court prior to the Effective Date, including without limitation, Quality Assurance Payments retained by the Debtors, the accounts receivable arising out of the rendition of services or the sale of products in the ordinary course of business by such Debtors prior to the closing date of their respective sales and all other rights of the Debtors, as sellers, under such asset sale agreements;

(d) any proceeds of the foregoing; and

(e) all files, books and records relating to the Debtors' businesses or the administration of the Plan other than those required to be maintained by the Post-Effective Date Debtors for the administration of the Operating Assets.

1.98 **Liquidating Trust Reserves** means one or more accounts or reserves of Cash established by the Liquidating Trustee in accordance with Section 7.9.

1.99 **Liquidating Trustee** means such person selected pursuant to Section 6.5 of the Plan or any successor or replacement officer appointed under the terms of the Plan.

1.100 **Local Bankruptcy Rules** means the Local Rules of the United States Bankruptcy Court of the Central District of California, as amended from time to time.

1.101 **Marillac** means **Marillac Insurance Company, LTD.**, the wholly-owned subsidiary of VHS, incorporated in the Cayman Islands on December 9, 2003.

1.102 **Master Trustee** means UMB Bank, N.A., as trustee for Obligations issued under that certain Master Indenture of Trust, dated as of December 1, 2001, as amended and supplemented, among the Daughters of Charity Health System, as predecessor in interest to VHS.

1.103 **Medi-Cal** means the program administered by the State of California for medical assistance under title XIX of the Social Security Act.

1.104 **Medicare** means the federal health insurance program administered under title XVIII of the Social Security Act.

1.105 **Mechanics Lien Claims** means all Allowed Claims arising under California Civil Code §§ 8400, *et seq.*, with respect to any real property or personal property of a Debtor subject to a lien provided by such law.

1.106 **MOB I Loan Agreement** means that certain Term Loan Agreement, dated October 3, 2017, between Holdings and Verity MOB Financing LLC, in the amount of \$ 46,363,096, and secured by those certain Los Angeles and San Mateo Deeds of Trust, each dated October 3, 2017, and the other security documents entered into in connection therewith.

1.107 **MOB II Loan Agreements** mean those certain Term Loan Agreements, dated June 1, 2018 and July 26, 2018, each between Holdings and Verity MOB Financing II LLC, in the amount of \$20,000,000, and secured by those certain related Los Angeles, San Mateo, and Santa Clara Deeds of Trust, dated June 1, 2018, as thereafter modified, and the Los Angeles Deed of Trust, dated July 26, 2018, and the other security documents entered into in connection therewith.

1.108 **Non-Debtor Affiliates** means the following affiliates of the Debtors that did not file a Chapter 11 Case: DePaul - San Jose ASC, Marillac, O'Connor Health Center I, Sports Medical Management, Inc., St. Vincent De

Paul Ethics Corporation, VHoldings, Robert F. Kennedy Medical Center, and Robert F. Kennedy Medical Center Foundation.

1.109 **Nonprofit Laws** means any and all federal, state, local and other laws and governmental regulations applicable to nonprofit corporations, including without limitation, any administrative and judicial interpretations thereof (as applicable).

1.110 **Nonprofit Status** means status as a nonprofit corporation under applicable Nonprofit Laws.

1.111 **Obligated Group Member** means each of the following Debtors: (i) VHS, (ii) O'Connor Hospital, (iii) Saint Louise Regional Hospital, (iv) Seton, (v) SFMC, and (vi) SVMC.

1.112 **Obligations** means those certain undertakings by Obligated Group Members arising from those certain Loan Agreements, dated December 1, 2001 and dated December 1, 2005, between CSCDA and the Daughters of Charity Health System as predecessor in interest to VHS, as amended and supplemented by those Loan Agreements dated December 1, 2015, and December 1, 2017, between CPFA and VHS.

1.113 **Operate** (and any such variations, such as "Operation") means to operate, oversee, manage, administer, coordinate, control, supervise and/or direct the business and operations of any and/or all of the Operating Assets, whether in the ordinary course of business or otherwise, and including undertaking or pursuing strategies, activities, or actions with the intent of furthering the objectives of, and otherwise to effectuate the Plan as contemplated by the provisions hereof, including any strategies, activities or actions aimed at retaining, renewing, amending, extending or Transferring any of the Operating Assets.

1.114 **Operating Account** means one or more deposit accounts of Cash established and/or maintained by the Liquidating Trustee as set forth in Section 7.6.

1.115 **Operating Assets** means, collectively,

- (a) the Hospitals;
- (b) the Hospital Purchased Assets; and
- (c) the Post-Effective Date Debtors' right to Quality Assurance Payments.

1.116 **Operating Budget** means the budget (as the same may be amended or modified from time to time) setting forth the projected costs and expenses associated with the Operating Assets (including without limitation, the cost of Operating the Operating Assets).

1.117 **Ordinary Course Professionals Order** means the order [Docket No. 693] entered by the Bankruptcy Court granting the Debtors' motion to retain and compensate professionals utilized by the Debtors in the ordinary course of business [Docket No. 364].

1.118 **Ordinary Course Professionals** means the professionals retained by the Debtors in the ordinary course of their business operations, pursuant to the Ordinary Course Professionals Order.

1.119 **Patient Care Ombudsman** means Dr. Jacob Nathan Rubin, MD, FACC, appointed by the U.S. Trustee to serve as the patient care ombudsman in these Chapter 11 Cases, pursuant to § 333(a), in accordance with the order [Docket No. 430] entered by the Bankruptcy Court on October 9, 2018.

1.120 **PBGC** means the Pension Benefit Guaranty Corporation, a wholly owned United States corporation, and agency of the United States, that administers the defined benefit pension plan termination program under Title IV of the ~~Employment~~Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. §§ 1301-1461 (~~2012, Supp. V 2017~~2018).

1.121 **PBGC Claims** means the Claims that the PBGC has asserted, or is deemed to have asserted, against the Debtors in relation to Verity Health System Retirement Plan A and Verity Health System Retirement Plan B, including on account of alleged unfunded benefit liabilities, minimum funding contributions, fixed and variable rate premiums, and termination premiums, which are identified as (i) the Amended Proofs of Claim filed by PBGC in the Lead Case, denominated as Proofs of Claim No. ~~4281, 4282, 4287, 4318, 4325, and 4327,~~7754, 7759, 7760, 7761, 7762, and 7763, and (ii) deemed to have been filed in each of the Chapter 11 Cases identified in such Proofs of Claim, pursuant to that certain stipulation [Docket No. 1772] approved by order of the Bankruptcy Court [Docket No. 1782].

1.122 **PBGC Settlement** means that certain Creditor Settlement Agreement described in Section 7.1(b).

1.123 **Person** means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, Governmental Unit or other entity of whatever nature.

1.124 **Petition Date** means August 31, 2018, which is the date that each Debtor filed a voluntary chapter 11 petition.

1.125 **Pharmacy Assets** means the portions of the Hospital Purchased Assets constituting drugs, dangerous devices, pharmacy systems, or other pharmacy assets, which will be purchased by and transferred to Prime and AHMC, respectively, on the dates Prime and AHMC obtain their required

licenses, in accordance with the SFMC Asset Purchase Agreement and the Seton Asset Purchase Agreement.

1.126 **Plan** means this plan of liquidation proposed by the Plan Proponents, including the Plan Supplement and the exhibits hereto and thereto, as the same may be amended, modified or supplemented from time to time in accordance with the provisions of the Bankruptcy Code and its terms.

1.127 **Plan Fund** means one or more accounts or reserves of Cash established by the Liquidating Trustee in accordance with Section 7.10 hereof for the payment of, on or after the Effective Date, (i) the 2005 Revenue Bonds Diminution Claim, and (ii) Allowed General Unsecured Claims.

1.128 **Plan Proponents** means the Debtors, the Master Trustee, the 2005 Revenue Bonds Trustee, the 2015 Notes Trustee, the 2017 Notes Trustee, [Verity MOB Financing LLC, Verity MOB Financing II, LLC,] and the Committee.

1.129 **Plan Settlement** means that certain Creditor Settlement Agreement described in Section 7.1(a).

1.130 **Plan Supplement** means a supplemental appendix to this Plan, as may be amended from time to time on or prior to the Effective Date, which will contain the following items:

- (a) the Schedule of Assumed Contracts;
- (b) the schedule of Insurance Policies;
- (c) the identity of the directors serving on the Post-Effective Date Board of Directors;
- (d) the Transition Services Agreement;
- (e) the initial Operating Budget;
- (f) the identity of the initial Liquidating Trustee;
- (g) the identity of the members of the Post-Effective Date Committee;
- (h) the form of Liquidating Trust Agreement; and
- (i) the Creditor Settlement Agreements, if any,

of which items (a) through (e) shall be filed prior to the Effective Date, items (f) through (h) shall be filed no later than fourteen (14) days before the Ballot Deadline, and item (i) shall be filed seven (7) days prior to the Ballot Deadline, if not earlier, in each case, unless otherwise extended with the consent of the Plan Proponents. Each of the foregoing documents may be filed

1 separately. The Plan Supplement shall be in substance and form acceptable to the Plan
2 Proponents.

3 1.131 ***Post-Effective Date Board of Directors*** means the three (3)
4 member board of directors for VHS that shall be formed on the Effective Date
5 in accordance with Section ~~5.8~~5.9 hereof, which shall also serve as the
6 members of the subsidiary boards and any other boards required to be in
7 existence.

8 1.132 ***Post-Effective Date Committee*** means a committee that
9 shall be formed on the Effective Date in accordance with Section ~~7.12~~7.11
10 hereof, consisting of (i) three (3) members designated by the Committee, and
11 (ii) until the First Priority Beneficial Trust Interests are paid in full, the Master
12 Trustee, as ex officio and non-voting member.

13 1.133 ***Post-Effective Date Debtors*** means, collectively, the
14 Sale-Leaseback Debtors, SVMC, St. Vincent Dialysis, the SCC Debtors, and
15 VHS, which shall exist solely for the limited duration and purposes set forth in
16 the Plan.

17 1.134 ***Prepetition Secured Creditors*** means, collectively, the
18 Master Trustee, the 2005 Revenue Bonds Trustee, the 2015 Notes Trustee, the
19 2017 Notes Trustee, Verity MOB Financing LLC, and Verity MOB Financing
20 II, LLC.

21 1.135 ***Prime*** means Prime Healthcare Services, Inc., or its
22 designee under the SFMC Asset Purchase Agreement.

23 1.136 ***Priority Benefit Plan Claims*** means Claims entitled to
24 priority under § 507(a)(5).

25 1.137 ***Priority Non-Tax Claim*** means any Claim entitled to
26 priority in payment as specified in § 507(a)(4), (5), (6), (7) or (9) other than
27 Administrative Claims and Priority Tax Claims.

28 1.138 ***Priority Tax Claims*** means Claims of any Governmental
Unit entitled to priority under § 507(a)(8) and 507(c).

1.139 ***Pro Rata Share*** means, as applicable, the proportion that (i)
an Allowed Claim in a particular Class bears to the aggregate amount of all
Claims in such Class, or (ii) an Allowed Claim in a particular Class bears to the
aggregate amount of all Claims in such Class and all Claims in any other
Classes entitled to share in the same recovery. Such ratios shall be calculated as
if all Claims in the particular Class asserted against all Debtors are Allowed
Claims as of the Effective Date, unless specifically provided otherwise in the
Plan.

1.140 **Professional** means any Person (a) retained in the Chapter 11 Cases by Final Order, pursuant to §§ 327, 363, and 1103 or otherwise; or (b) awarded compensation and reimbursement by the Bankruptcy Court, pursuant to § 503(b)(4); provided, however, that Professional does not include any Ordinary Course Professional.

1.141 **Professional Claim** means an administrative claim of a Professional for compensation for services rendered or reimbursement of costs, expenses, or other charges and disbursements incurred relating to services rendered or expenses incurred after the Petition Date and prior to and including the Effective Date.

1.142 **Proof of Claim** means a proof of claim, or a request for payment of an Administrative Claim, filed in these Chapter 11 Cases.

1.143 **Provider Agreements** means (i) the Medicare Health Insurance Benefits Agreements between any of the Debtors and DHHS, and (ii) the Medi-Cal Provider Agreements between any of the Debtors and DHCS.

1.144 **Quality Assurance Fees** means the Hospital Quality Assurance Fee originally imposed by SB 239 (Chapter 657, Statutes of 2013) on certain general acute care hospitals by California state law in order to make supplemental and grant payments and increased capitation payments to hospitals up to the aggregate upper payment limit and made permanent by the passage of Proposition 52 in November 2016.

1.145 **Quality Assurance Payments** means the supplemental and grant payments and increased capitation payments, to be funded out of the Hospital Quality Assurance Fee, to certain general acute care hospitals as contemplated by SB 239 (Chapter 657, Statutes of 2013) up to the aggregate upper payment limit and made permanent by the passage of Proposition 52 in November 2016.

1.146 **Records Retention Order** means one or more orders entered by the Bankruptcy Court related to the retention and/or destruction of records.

1.147 **Released Party** means, individually and collectively, the Estates, the Debtors, the Committee, the members of the Committee, the Indenture Trustees and their affiliates, and each current and/or former member, manager, officer, director, employee, counsel, advisor, professional, or agents of each of the foregoing who were employed or otherwise serving in such capacity before or after the Petition Date.

1.148 **Remaining Cash** means the actual sum of Cash that constitutes Liquidating Trust Assets after (i) the payment of Cash necessary to satisfy all Unclassified Claims and Class 1A Claims that are Allowed on or prior to the Effective Date, (ii) the payment of all Allowed Claims payable on the Effective Date as set forth in Classes 2, 3, 4, 5, 6, and 7, and (iii) the transfer

1 into or maintenance of funds in the Operating Accounts for the Post Effective
2 Date Debtors on the Effective Date in accordance with the Section 7.6.

3 1.149 ***Request for Payment*** means a request for payment of an
4 Administrative Claim filed in these Chapter 11 Cases.

5 1.150 ***Sale-Leaseback Debtors*** means, collectively, SFMC and
6 Seton.

7 1.151 ***Sale Order*** means any Final Order of the Court entered
8 pursuant to a request of, or motion by, the Debtors for authority to sell assets of
9 the Estates pursuant to § 363.

10 1.152 ***SCC*** means the County of Santa Clara, a political
11 subdivision of the State of California.

12 1.153 ***SCC Debtors*** means Saint Louise Regional Hospital and
13 O'Connor Hospital, collectively.

14 1.154 ***SCC Sale*** means the sale authorized by the order entered by
15 the Bankruptcy Court on December 27, 2018 [Docket No. 1153].

16 1.155 ***Schedule of Assumed Contracts*** means the schedule listing
17 the Executory Agreements to be assumed pursuant to the Plan.

18 1.156 ***Scheduled*** means, with respect to any Claim, the status,
19 priority, and amount, if any, of such Claim as set forth in the Schedules.

20 1.157 ***Schedules*** means the schedules of assets and liabilities and
21 the statements of financial affairs filed by the Debtors in the Chapter 11 Cases
22 pursuant to § 521 and Bankruptcy Rule 1007, which incorporate by reference
23 the global notes and statement of limitations, methodology, and disclaimer
24 regarding the Debtors' schedules and statements, as such schedules or
25 statements have been or may be further modified, amended, or supplemented
26 from time to time in accordance with Bankruptcy Rule 1009 or Final Orders of
27 the Bankruptcy Court.

28 1.158 ***Second Priority Trust Beneficial Interests*** means the
second priority Trust Beneficial Interests provided to the Holders of Allowed
General Unsecured Claims in full and final satisfaction of such Holders'
Allowed General Unsecured Claims, which Trust Beneficial Interests shall
entitle such Holders, after payment in full to Holders of First Priority Trust
Beneficial Interests held by the Holders of the 2005 Revenue Bonds
Diminution Claim, to receive *pro rata* payment from all Funds in the Plan Fund
until the Allowed General Unsecured Claims are fully satisfied.

1.159 ***Secured 2005 Revenue Bond Claims*** means all Allowed
Secured Claims of the Master Trustee and the 2005 Revenue Bonds Trustee for,

1 and on behalf of, the beneficial holders of Series 2005 A, G, and H Revenue
2 Bonds issued by the CSCDA.

3 1.160 ***Secured 2015 Revenue Notes Claims*** means all Allowed
4 Secured Claims of the Master Trustee and the 2015 Revenue Notes Trustee for,
5 and on behalf of, the beneficial holders of the 2015 Revenue Notes issued by
6 the CPFA.

7 1.161 ***Secured 2017 Revenue Notes Claims*** means all Allowed
8 Secured Claims of the Master Trustee and the 2017 Notes Trustee for, and on
9 behalf of, the beneficial holders of the 2017 Notes issued by the CPFA.

10 1.162 ***Secured Claim*** means a Claim that is (a) secured by a lien on
11 any of the Assets, which lien is valid, perfected, and enforceable under
12 applicable law or by reason of a Final Order, to the extent of the value of the
13 claimant's interest in such Asset, or (b) entitled to setoff under § 553, to the
14 extent of the amount subject to such setoff, as determined pursuant to § 506(a).

15 1.163 ***Secured Mechanics Lien Claims*** means all Allowed
16 Secured Mechanics Lien Claims.

17 1.164 ***Secured MOB I Financing Claims*** means all Allowed
18 Secured Claims of Verity MOB Financing LLC arising from the MOB I Loan
19 Agreement.

20 1.165 ***Secured MOB II Financing Claims*** means all Allowed
21 Secured Claims of Verity MOB Financing II LLC arising from the MOB II
22 Loan Agreements.

23 1.166 ***Secured PACE Tax Financing Claims*** means those certain
24 Agreements to Pay Assessment and Finance Improvements dated May 11, 2017
25 and May 18, 2017 under the CSCDA CaliforniaFirst Program, respectively the
26 Clean Fund Agreement to Pay Assessment and Petros Agreement to Pay
27 Assessment, each for the limited purpose of providing bond financing for
28 certain renewable energy, energy efficiency, water efficiency and seismic
improvements permanently affixed to real property owned by Seton Medical
Center located in Daly City, California, the proceeds of which financings are
being held as program funds for authorized improvements by Wilmington Trust
N.A. as indenture trustee under two bond indentures with CSCDA also dated
May 11, 2017 and May 18, 2017.

1.167 ***Seton*** means Seton Medical Center and Seton Medical
Center Coastsides, collectively, as debtors and debtors-in-possession.

1.168 ***Seton Asset Purchase Agreement*** means that certain *Asset
Purchase Agreement*, as may be amended from time to time, by and among
VHS, Holdings, and Seton, on the one hand, and AHMC, on the other hand, as
approved by the Bankruptcy Court pursuant to the Seton Sale Order.

1.169 **Seton Closing Date** means the date that the transactions contemplated by the Seton Asset Purchase Agreement are consummated.

1.170 **Seton Interim Leaseback Agreement** means that certain Sale Leaseback Agreement by and between Seton, on the one hand, and AHMC and its affiliates, on the other hand.

1.171 **Seton Interim Management Agreement** means that certain Interim Management Agreement by and between Seton, on the one hand, and AHMC and its affiliates, on the other hand.

1.172 **Seton Sale** means the sale authorized by the Seton Sale Order.

1.173 **Seton Sale Order** means that certain order [Docket No. 4634] approving the sale of certain assets of Seton, Holdings, and VHS to AHMC.

1.174 **Settlement Released Parties** means, collectively, the parties to the Plan Settlement and the PBGC Settlement who are the beneficiaries of a limited or general release under the Plan Settlement and the PBGC Settlement, respectively, solely to the extent of such limited or general release, as provided in this Plan.

1.175 **SFMC** means St. Francis Medical Center, as debtor and debtor in possession.

1.176 **SFMC Asset Purchase Agreement** means that certain *Asset Purchase Agreement*, as may be amended from time to time, by and among VHS, Holdings, and SFMC, on the one hand, and Prime, on the other hand, as approved by the Bankruptcy Court pursuant to the SFMC Sale Order.

1.177 **SFMC Closing Date** means the date that the transactions contemplated by the SFMC Asset Purchase Agreement are consummated.

1.178 **SFMC Interim Leaseback Agreement** means that certain Sale Leaseback Agreement by and between SFMC, on the one hand, and Prime and its affiliates, on the other hand.

1.179 **SFMC Interim Management Agreement** means that certain Interim Management Agreement by and between SFMC, on the one hand, and Prime and its affiliates, on the other hand.

1.180 **SFMC Sale** means the sale authorized by the SFMC Sale Order.

1.181 **SFMC Sale Order** means that certain order [Docket No. 4511] approving the sale of certain assets of SFMC, Holdings, and VHS to Prime.

1.182 **SGM** means Strategic Global Management, Inc.

1.183 **SGM Asset Purchase Agreement** means that certain *Asset Purchase Agreement*, dated January 8, 2019, as amended from time to time, by and among VHS, Holdings, SFMC, SVMC, St. Vincent Dialysis, and Seton, on the one hand, and SGM, on the other hand, as approved by the Bankruptcy Court, in connection with the SGM Sale [Docket No. 2305-1].

1.184 **SGM Claims** means all claims held by the Estates against SGM, its affiliates, and any other Person related thereto, including those related to the SGM Asset Purchase Agreement and the SGM Sale, including, but not limited to, (i) those claims asserted by the Debtors in *Verity Health System of California, Inc., et al. v. Strategic Global Management, Inc., et al. (In re Verity Health System of California, Inc.)*, Case No. 2:20-cv-00613-DSF, currently pending before the District Court, (ii) the consolidated appeals related to the SGM Asset Purchase Agreement and the SGM Sale captioned *Strategic Global Management, Inc. v. Verity Health System of California, Inc. (In re Verity Health System of California, Inc.)*, Consolidated Case No. 2:19-cv-10352-DSF, and currently pending before the District Court, and (iii) any other claims which may be asserted against any Person by, among other parties, the Debtors, the Liquidating Trustee, the Committee, or any other Estate representative, arising from or related to the SGM Asset Purchase Agreement, the SGM Sale, or SGM's participation in the Bankruptcy Cases.

1.185 **SGM Sale** means the sale authorized by the *Order (A) Authorizing the Sale of Certain of the Debtors' Assets to Strategic Global Management, Inc. Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) Approving the Assumption and Assignment of an Unexpired Lease Relating Thereto; and (C) Granting Related Relief*, entered by the Bankruptcy Court on May 2, 2019 [Docket No. 2306].

1.186 **Section 503(b)(9) Claims** means Allowed Claims pursuant to § 503(b)(9).

1.187 **St. Vincent Dialysis** means St. Vincent Dialysis Center, Inc., as debtor and debtor in possession.

1.188 **Statutory Fees** means the fees payable pursuant to section 1930 of title 28 of the United States Code that were incurred in connection with these Chapter 11 Cases.

1.189 **Subordinated General Unsecured Claims** means Allowed Claims that have been found to be subject to subordination pursuant to § 510 (b) or (c) pursuant to a Final Order.

1.190 ***SVMC*** means St. Vincent Medical Center, as debtor and debtor in possession.

1.191 ***Tax Rate*** means, with respect to the 2005 Revenue Bonds, the rate of interest utilized to calculate any “Taxable Rate Adjustment,” as that term is defined in the 2005 Revenue Bonds Indentures or the 2005 Revenue Bonds Obligated Bonds.

1.192 ***Transfer*** (and any variations such as “Transferring”) means to, directly or indirectly, sell, convey, assign, pledge, encumber, hypothecate, gift, contribute, subject to a joint venture, partnership, or similar arrangement, abandon, convey, or transfer or otherwise dispose of, either voluntarily or involuntarily, any Asset or enter into any contract for any Asset that will effectuate the foregoing whether or not the foregoing is subject to approvals or conditions.

1.193 ***Transition Services Agreements*** or ***TSAs*** means those certain transition services agreements entered into by and between (i) Prime, VHS, and the Liquidating Trust, and (ii) AHMC, VHS, and the Liquidating Trust, each relating to (a) the services, information systems, and vendor arrangements (if any) to be provided by VHS to Prime and AHMC, and (b) the services, personnel, information systems, and vendor arrangements (if any) to be provided by Prime (or an affiliate) and AHMC (or an affiliate) to VHS and/or the Liquidating Trust; provided, however, that the services, personnel, and intellectual property utilized under the Interim Agreements shall terminate pursuant to the terms of the Interim Agreements.

1.194 ***Trust Beneficial Interests*** mean, collectively, (i) the interests in the Liquidating Trust of the Holders of Allowed Claims in Class 4 and their concomitant entitlement to distributions to be made by the Liquidating Trust on account of the 2005 Revenue Bonds Diminution Claim as set forth in Sections 8, 9, and 10, and (ii) the pro rata interests in the Liquidating Trust of the Holders of Allowed Claims in Class 8 and their concomitant entitlement to distributions to be made by the Liquidating Trust on account of Allowed General Unsecured Claims as set forth in Sections 8, 9, and 10. The Trust Beneficial Interests shall be evidenced as set forth in Section 9.4 and shall not be transferable, except to the limited extent provided in Section 9.6 and related provisions of the Liquidating Trust Agreement.

1.195 ***Trust Beneficiaries*** means the holders of Trust Beneficial Interests, as of any point in time.

1.196 ***Unclassified Claims*** means, collectively, Administrative Claims, Professional Claims, Statutory Fees, and Priority Tax Claims.

1.197 **Unimpaired Claim** means a Claim that is not impaired because the Plan leaves unaltered the legal, equitable, and contractual rights to which such Claim entitles the Holder of such Claim, as set forth in § 1124(1).

1.198 **U.S. Trustee** means the Office of the United States Trustee for the Central District of California.

1.199 **VBS** means Verity Business Services, a nonprofit public benefit corporation, as debtor and debtor in possession.

1.200 **VHoldings** means VHoldings MOB, LLC, a Non-Debtor.

1.201 **VHS** means Verity Health System of California, Inc., as debtor and debtor in possession.

1.202 **VMF** means Verity Medical Foundation, as debtor and debtor in possession.

B. Interpretation and Rules of Construction.

Unless otherwise specified, all Section or exhibit references in the Plan are to the respective Section in, or exhibit to, the Plan, as the same may be amended, waived, or modified from time to time. The words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to the Plan as a whole and not to any particular Section, subsection, or clause contained therein. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. For purposes herein: (1) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (2) any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (3) unless otherwise specified, all references herein to “Sections” are references to Sections hereof or hereto; (4) the rules of construction set forth in § 102 shall apply; and (5) any term used in capitalized form herein that is not otherwise defined, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

C. Controlling Document.

The Plan (without reference to the Plan Supplement) shall govern and control in the event of an inconsistency between the terms and provisions in the Plan (without reference to the Plan Supplement) and the terms and provisions in the Disclosure Statement, the Plan Supplement, any other instrument or document created or executed pursuant to the Plan, or any order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements or amendments to any of the foregoing); provided that, notwithstanding anything herein to the contrary, the Confirmation Order shall govern and control in all respects in the event of a conflict between the Confirmation Order and any provision of the Plan or the Plan Supplement.

1 **SECTION 2. ADMINISTRATIVE EXPENSE AND PRIORITY CLAIMS.**

2 In accordance with § 1123(a)(1), the following Claims are not classified and are excluded
3 from the Classes set forth in Section 3 hereof and shall receive the treatment discussed below:

4 2.1 **Administrative Claims.** Except to the extent that the Debtors (or the Liquidating
Trust) and the Holder of an Allowed Administrative Claim agree to less favorable treatment, a
5 Holder of an Allowed Administrative Claim (other than a Professional Claim, which shall be
subject to Section 2.2) shall receive, in full satisfaction, settlement, release, and discharge of, and
6 in exchange for, such Administrative Claim, Cash equal to the unpaid portion of such Allowed
Administrative Claim either (a) on the Effective Date, (b) if the Allowed Administrative Claim is
7 based on liabilities incurred by the Debtors in the ordinary course of their businesses after the
Petition Date, in the ordinary course of business in accordance with the terms and conditions of the
8 particular transaction giving rise to such Allowed Administrative Claim, without any further
action by the Holder of such Allowed Administrative Claim, (c) on such other date as agreed
9 between the Debtors (or the Post-Effective Date Debtors) and such Holder of an Allowed
Administrative Claim, or (d) to the extent the Allowed Administrative Claim had not yet been
10 Allowed on the Effective Date, from the Administrative Claims Reserve pursuant to Sections
11 7.9(d) and 15.3 hereof.

12 2.2 **Professional Claims.** All Professionals seeking an award by the Bankruptcy Court
13 of a Professional Claim (other than the Ordinary Course Professionals) shall file their respective
final applications for allowance of compensation for services rendered and reimbursement of
14 expenses incurred by the date that is sixty (60) days after the Effective Date, and shall receive, in
full satisfaction of such Claim, Cash in an amount equal to 100% of such Allowed Professional
15 Claim promptly after entry of an order of the Bankruptcy Court allowing such Claim or upon such
other terms as may be mutually agreed-upon between the Holder of such Professional Claim and
16 the Debtors, which Cash shall be paid out of the Effective Date Professional Claim Reserve.
Objections to any final applications covering Professional Claims must be filed and served on the
17 Post-Effective Date Debtors, the Liquidating Trustee, and the requesting Professional no later than
18 ninety (90) days after the Effective Date (unless otherwise agreed by the requesting Professional).

19 2.3 **Statutory Fees.** All fees required to be paid by 28 U.S.C. § 1930(a)(6) and any
20 interest thereon ("**U.S. Trustee Fees**") shall be paid by the Liquidating Trustee in the ordinary
course of business until the closing, dismissal or conversion of these Chapter 11 Cases to another
21 chapter of the Bankruptcy Code. Any unpaid U.S. Trustee Fees that accrued before the Effective
Date shall be paid no later than thirty (30) days after the Effective Date.

22 2.4 **Priority Tax Claims.** Except to the extent that a Holder of an Allowed Priority Tax
23 Claim agrees to less favorable treatment, each Holder of an Allowed Priority Tax Claim shall
receive, in full and final satisfaction of such Allowed Priority Tax Claim, at the option of the Plan
24 Proponents or the Liquidating Trustee, as applicable: (a) Cash in an amount equal to such Allowed
Priority Tax Claim on, or as soon thereafter as is reasonably practicable, the later of (i) the
25 Effective Date, to the extent such Claim is an Allowed Priority Tax Claim on the Effective Date,
and (ii) the first Business Day after the date that is thirty (30) calendar days after the date such
26 Priority Tax Claim becomes an Allowed Priority Tax Claim; or (b) equal annual Cash payments in
an aggregate amount equal to the amount of such Allowed Priority Tax Claim, together with
27
28

1 interest at the applicable rate pursuant to § 511, over a period not exceeding five (5) years from and
2 after the Petition Date; provided, however, the Debtors and Liquidating Trustee, as applicable,
3 reserve the right to prepay all or a portion of any such amounts at any time under this option at the
discretion of the Plan Proponents and the Liquidating Trustee.

4 **SECTION 3. CLASSIFICATION OF CLAIMS**

5 **3.1 *Classification in General.***

6 A Claim is placed in a particular Class for all purposes, including voting, confirmation, and
7 distribution under the Plan and under §§ 1122 and 1123(a)(1); provided that a Claim is placed in a
8 particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent
that such Claim is an Allowed Claim in that Class and such Allowed Claim has not been satisfied,
released, or otherwise settled prior to the Effective Date.

9 **3.2 *Grouping of Debtors for Deemed Substantive Consolidation.***

10 Consistent with the deemed substantive consolidation of the Debtors, as set forth more
11 fully in Section 7.1, the Plan groups the Debtors together for purposes of describing treatment
12 under the Plan, confirmation of the Plan, and making distributions in accordance with the Plan
13 with respect to Claims against and Interests in the Debtors under the Plan. Accordingly, pursuant
14 to the Plan, the Assets of the Debtors and their Estates, and the Claims against and Interests in the
Debtors, will be treated as if the Debtors and their Estates are substantively consolidated on the
Effective Date. Notwithstanding the foregoing, such groupings shall not affect any Debtor's status
as a separate legal entity, change the organizational structure of the Debtors' business enterprise,
constitute a change of control of any Debtor for any purpose, cause a merger or consolidation of
any legal entities, or cause the transfer of any Assets. Except as otherwise provided by or
permitted under the Plan, all Debtors shall continue to exist as separate legal entities after the
Effective Date.

18 **3.3 *Summary of Classification.***

19 The following table designates the Classes of Claims against each of the Debtors and
20 specifies which of those Classes are (a) Not Impaired by the Plan, (b) Impaired by the Plan, and (c)
21 entitled to vote to accept or reject the Plan in accordance with § 1126. In accordance with §
1123(a)(1), Administrative Claims, Professional Claims, Statutory Fees, and Priority Tax Claims,
22 have not been classified. All of the potential Classes for the Debtors are set forth herein. Certain
of the Debtors may not have holders of Claims in a particular Class or Classes, and such Classes
shall be treated as set forth in Section 3.5.

<i>All Debtors</i>			
Class	Designation	Impairment	Entitled to Vote
1A	Other -Priority Non-Tax Claims	Not Impaired	No (deemed to accept)
1B	Secured PACE Tax Financing Claims	Not Impaired	No (deemed to accept)
2	Secured 2017 Revenue Notes Claims	Impaired	Yes
3	Secured 2015 Revenue Notes Claims	Impaired	Yes
4	Secured 2005 Revenue Bond Claims	Impaired	Yes
5	Secured MOB I Financing Claims	Impaired	Yes
6	Secured MOB II Financing Claims	Impaired	Yes
7	Secured Mechanics Lien Claims	Impaired	Yes
8	General Unsecured Claims	Impaired	Yes
9	Insured Claims	Impaired	Yes
10	2016 Data Breach Claims	Impaired	Yes
11	Subordinated General Unsecured Claims	Impaired	No (deemed to reject)
12	Interests	Impaired	No (deemed to reject)

3.4 *Special Provision Governing Unimpaired Claims.*

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors or the Liquidating Trust with respect to Unimpaired Claims, including all legal and equitable defenses to, or setoffs or recoupments against, any such Unimpaired Claims.

3.5 *Elimination of Vacant Classes.*

Any Class of Claims, as of the commencement of the Confirmation Hearing, that does not have at least one (1) Holder of a Claim in an amount greater than zero for voting purposes shall be considered vacant, deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies § 1129(a)(8) with respect to that Class.

SECTION 4. TREATMENT OF CLAIMS

In full and final satisfaction of all of the Claims against the Debtors (except with respect to Unclassified Claims that are satisfied in accordance with Section 2 above), the Claims shall receive the treatment described below. Except to the extent expressly provided in this Section 4, the timing of distributions is addressed in Section 8.3 hereof.

4.1 *Class 1A: Priority Non-Tax Claims.*

(a) *Classification.* Class 1A consists of Priority Non-Tax Claims.

(b) *Treatment.* Except to the extent that a Holder of an Priority Non-Tax Claim agrees to a less favorable treatment of such Claim, each such Holder shall receive payment in Cash in an amount equal to the amount of such Allowed Claim, payable on the later of the Effective Date and the date that is fourteen (14) Days after the date on which such Priority Non-Tax Claim

1 becomes an Allowed Priority Non-Tax Claim, in each case, or as soon as reasonably practicable
2 thereafter in accordance with the priority scheme set forth in the Bankruptcy Code.

3 (c) *Voting*. Class 1A is Unimpaired. Holders of Priority Non-Tax Claims are
4 deemed to have accepted the Plan, pursuant to § 1126(f), and are not entitled to vote to accept or
5 reject the Plan.

6 4.2 ***Class 1B: Secured PACE Tax Financing Claims.***

7 (a) *Classification*. Class 1B consists of the Secured PACE Financing Claims.

8 (b) *Treatment*. Each Allowed Secured PACE Tax Financing Claim shall be
9 paid in accordance with the *Order Approving Stipulation Resolving California Statewide
10 Communities Development Authority Lien Release Pursuant to the Proposed Sale of Certain of the
11 Debtors' Assets Related to Seton Medical Center* [Docket No. 4613].

12 (c) *Voting*. Class 1B is Unimpaired. Holders of Secured PACE Tax Financing
13 Claims are deemed to have accepted the Plan, pursuant to § 1126(f), and are not entitled to vote to
14 accept or reject the Plan.

15 4.3 ***Class 2: Secured 2017 Revenue Notes Claims.***

16 (a) *Classification*. Class 2 consists of the Secured 2017 Revenue Notes
17 Claims.

18 (b) *Treatment*. The Secured 2017 Revenue Notes Claims shall be paid in cash
19 on the Effective Date by the Debtors to the 2017 Notes Trustee for distribution in accordance with
20 the 2017 Revenue Notes Indentures in an amount equal to 100% of a single Allowed Claim in the
21 aggregate amount of \$42,000,000, plus (i) any accrued, but unpaid postpetition interest, if any, at
22 the rate specified in the 2017 Revenue Note Indentures, excluding any interest at a default rate, any
23 make whole premium, any applicable redemption or other premium, and (ii) any accrued but
24 unpaid reasonable, necessary out-of-pocket fees and expenses of the 2017 Notes Trustee and the
25 Master Trustee pursuant to the Final DIP Order and Cash Collateral Orders through and including
26 the Effective Date, less any amounts held by the 2017 Notes Trustee in a (x) principal or revenue
27 account, (y) debt service or redemption reserve, or (z) an escrow or expense reserve account. No
28 beneficial Holder of any Secured 2017 Revenue Notes Claims shall be entitled to receive any
distribution pursuant to the Plan, except as may be remitted to such holder by the 2017 Notes
Trustee in accordance with the 2017 Revenue Notes Indenture.

29 (c) *Subordination*. Following receipt of the distribution provided in
30 Section 4.3(b), all rights held by 2017 Revenue Bond Trustee and/or the Master Trustee under the
31 Intercreditor Agreement shall be deemed satisfied, waived or released by the treatment provided
32 in the Plan Settlement and the Plan.

33 (d) *Voting*. Class 2 is Impaired. The beneficial Holders of Secured 2017
34 Revenue Notes Claims are entitled to vote to accept or reject the Plan.

4.4 ***Class 3: Secured 2015 Revenue Notes Claims.***

(a) *Classification.* Class 3 consists of the Secured 2015 Revenue Notes Claims.

(b) *Treatment.* The Secured 2015 Revenue Notes Claims shall be paid in cash on the Effective Date by the Debtors to the 2015 Notes Trustee for distribution in accordance with the 2015 Revenue Notes Indentures in an amount equal to 100% of a single Allowed Claim in the aggregate amount of \$160,000,000, plus (i) accrued, but unpaid postpetition interest, if any, at the rate specified in the 2015 Revenue Note Indentures for each of 2015 Revenue Notes Series A, B, C and D, excluding any interest at a default rate, or any applicable redemption or other premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2015 Notes Trustee and the Master Trustee, pursuant to the Final DIP Order and Cash Collateral Orders through and including the Effective Date, less any amounts held by the 2015 Notes Trustee on account of the 2015 Revenue Notes in a (x) principal or revenue account, (y) debt service or redemption reserve, or (z) an escrow or expense reserve account. No beneficial Holder of any Secured 2015 Revenue Notes Claims shall be entitled to receive any distribution pursuant to the Plan, except as may be remitted to such holder by the 2015 Notes Trustee.

(c) *Subordination:* All rights held by 2015 Revenue Bond Trustee and/or the Master Trustee under the Intercreditor Agreement shall be deemed satisfied, waived or released by the treatment provided in the Plan Settlement and the Plan.

(d) *Voting.* Class 3 is Impaired, and the beneficial Holders of Secured 2015 Revenue Notes Claims are entitled to vote to accept or reject the Plan.

4.5 ***Class 4: Secured 2005 Revenue Bond Claims.***

(a) *Classification.* Class 4 consists of the Secured 2005 Revenue Bonds Claims.

(b) *Treatment.* The Secured 2005 Revenue Bonds Claims shall be treated as a single Allowed Claim in the aggregate amount of \$259,445,000 plus (i) accrued, but unpaid postpetition interest, if any, at the rate specified in the 2005 Revenue Bond Indentures through and including the Effective Date, excluding any interest at the default rate or the Tax Rate, or any applicable redemption or other premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds Trustee and the Master Trustee pursuant to the Final DIP Order and Cash Collateral Orders through and including the Effective Date. The 2005 Revenue Bonds Claims shall be paid and satisfied as follows: (i) an amount equal to the Initial Secured 2005 Revenue Bonds Claims Payment plus (a) accrued, but unpaid postpetition interest, if any, at the rate specified in the 2005 Revenue Bond Indentures through and including the Effective Date, excluding any interest at the default rate or the Tax Rate, or any applicable redemption or other premium, and (b) any accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds Trustee and the Master Trustee pursuant to the Final DIP Order and Cash Collateral Orders through and including the Effective Date, shall be paid in cash by the Debtors to the 2005 Revenue Bond Trustee on the Effective Date. In addition, (x) any amounts held by the 2005 Revenue Bonds Trustee in a (1) principal or revenue

1 account, (2) debt service or redemption reserve, or (3) an escrow or expense reserve account shall
2 be applied against the Secured 2005 Revenue Bonds Claim, and (y) the 2005 Revenue Bonds
3 Trustee shall become the sole Trust Beneficiary and holder of all of the First Priority Trust
4 Beneficial Interests in the amount of the 2005 Revenue Bonds Diminution Claim, including
5 interest accruing after the Effective Date at the non-default rate provided for in the 2005 Revenue
6 Bond Indentures. The foregoing payments and distributions shall be in full and final satisfaction
7 of the Secured 2005 Revenue Bonds Claims as a single Allowed Claim. Notwithstanding
8 distribution of First Priority Trust Beneficial Interests on account of the 2005 Secured Revenue
9 Bonds Diminution Claim, the 2005 Revenue Bonds Trustee or the Master Trustee shall be entitled
10 to retain and apply Adequate Protection Payments received during the course of these Cases on or
11 on behalf of the 2005 Secured Revenue Bonds in the manner provided by the relevant indenture.
12 No beneficial Holder of any Secured Series A, G and H Revenue Bonds Claims shall be entitled to
13 receive any distribution pursuant to the Plan, except as may be remitted to such Holder by the 2005
14 Revenue Bonds Trustee.

15 (c) *Subordination.* All rights held by 2005 Revenue Bond Trustee and/or the
16 Master Trustee under the Intercreditor Agreement shall be deemed satisfied, waived or released by
17 the treatment provided [in](#) the Plan Settlement and the Plan.

18 (d) *Voting.* Class 4 is Impaired. The beneficial Holders of the Secured 2005
19 Series 2005 A, G and H Revenue Bond Claims are entitled to vote to accept or reject the Plan.

20 4.6 ***Class 5: Secured MOB I Financing Claims.***

21 (a) *Classification.* Class 5 consists of the MOB I Financing Claims.

22 (b) *Treatment.* The Secured MOB I Financing Claims shall be paid in cash on
23 the Effective Date by the Debtors in an amount equal to 100% of a single Allowed Claim in the
24 aggregate amount of \$46,363,095.90, plus (i) accrued but unpaid postpetition interest, if any, at the
25 rate specified in the MOB I Loan Agreement, excluding any interest at the default rate, or make
26 whole premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-pocket fees and
27 expenses of Verity MOB Financing LLC, pursuant to the Final DIP Order and Cash Collateral
28 Orders through and including the Effective Date.

(c) *Voting.* Class 5 is Impaired. Holders of MOB I Financing Claims are
entitled to vote to accept or reject the Plan.

4.7 ***Class 6: Secured MOB II Financing Claims.***

(a) *Classification.* Class 6 consists of the Secured MOB II Financing Claims.

(b) *Treatment.* The Secured MOB II Financing Claims shall be paid in cash on
the Effective Date by the Debtors in an amount equal to 100% of a single Allowed Claim in the
aggregate amount of \$20,061,919.48, plus (i) accrued, but unpaid postpetition interest, if any, at
the rate specified in the MOB II Loan Agreements, excluding any interest at the default rate, or
make whole premium, and (ii) any accrued but unpaid reasonable, necessary out-of-pocket fees
and expenses of Verity MOB Financing II LLC, pursuant to the Final DIP Order and Cash
Collateral Orders through and including the Effective Date.

1 (c) *Voting.* Class 6 is Impaired. Holders of Secured MOB II Financing Claims
2 are entitled to vote to accept or reject the Plan.

3 4.8 ***Class 7: Secured Mechanics Lien Claims.***

4 (a) *Classification.* Class 7 consists of the Secured Mechanics Lien Claims.

5 (b) *Treatment.* Each Allowed Secured Mechanics Lien Claim shall be paid in
6 cash on the Effective Date by the Debtors in an amount equal to 100% of the principal balance of
such Allowed Secured Mechanics Lien Claim.

7 (c) *Voting.* Class 7 is Impaired. Holders of Secured Mechanics Lien Claims
8 are entitled to vote to accept or reject the Plan.

9 4.9 ***Class 8: General Unsecured Claims.***

10 (a) *Classification.* Class 8 consists of the General Unsecured Claims against
11 all Debtors.

12 (b) *Treatment.* As soon as practicable after the Effective Date or as soon
13 thereafter as the claim shall have become an Allowed Claim, each holder of an Allowed General
14 Unsecured Claim shall receive a Second Priority Trust Beneficial Interest and become a Trust
15 Beneficiary in full and final satisfaction of its Allowed Class 8 Claim, except to the extent that
such Holder agrees (a) to a less favorable treatment of such Claim, or (b) such Claim has been paid
before the Effective Date.

16 (c) *Voting.* Class 8 is Impaired. Holders of General Unsecured Claims are
entitled to vote to accept or reject the Plan.

17 4.10 ***Class 9: Insured Claims.***

18 (a) *Classification.* Class 9 consists of Allowed Insured Claims.

19 (b) *Treatment.* Each Insured Claim shall be deemed objected to and disputed
20 and shall be resolved in accordance with this Section, notwithstanding any other Plan provision.

21 Except to the extent that a Holder of an Insured Claim agrees to different treatment, or
22 unless otherwise provided by an order of the Bankruptcy Court directing such Holder's
23 participation in any alternative dispute resolution process, on the Effective Date, or as soon
24 thereafter as is reasonably practicable, each Holder of an Insured Claim will have received or shall
25 receive on account of its Insured Claim relief from the automatic stay under § 362 and the
injunctions provided under this Plan for the sole and limited purpose of permitting such Holder to
26 seek recovery, if any, as determined and Allowed by an order or judgment by a court of competent
jurisdiction or under a settlement or compromise of such Holder's Insured Claim from the
applicable and available Insurance Policies maintained by or for the benefit of any of the Debtors.
27 A Holder's recovery of insurance proceeds under the applicable Insurance Policy(ies) shall be the
sole and exclusive recovery on an Insured Claim, subject to recovery of an Insured Deficiency

1 Claim, as described in the next paragraph. Any settlement of an Insured Claim within a
2 self-insured retention or deductible must be approved by the Liquidating Trustee.

3 In the event the applicable insurer denies the tender of defense or there are no applicable or
4 available insurance policies, or proceeds from applicable and available insurance policies have
5 been exhausted or are otherwise insufficient to pay in full a Holder's recovery, if any, as
6 determined by an order or judgment by a court of competent jurisdiction or under a settlement or
7 compromise of such Holder's Insured Claim, on account of its Insured Claim, then such Holder
8 shall be entitled to an Allowed Claim equal to the amount of the Allowed Insured Claim less the
9 amount of available proceeds paid such Allowed Insured Claim from the applicable and available
10 Insurance Policies (the "**Insured Deficiency Claim**"). Such Holders' Insured Deficiency Claim
shall be treated as an Allowed General Unsecured Claim in Class 10 of the Plan and shall be
entitled to receive its Pro Rata Share of the distributions from the Liquidating Trust Distributions
as set forth in the Plan in the same manner as other Holders of Allowed General Unsecured Claims
in Class 8 of the Plan. In no event shall any Holder of an Allowed Insured Deficiency Claim be
entitled to receive more than one hundred percent (100%) of the Allowed Amount of their
respective Allowed Insured Deficiency Claim.

11 Any amount of an Allowed Insurance Claim within a deductible or self-insured retention
12 shall be paid by the applicable insurance, in accordance with the applicable Insurance Policy, to
13 the Claim Holder and such insurer shall have a General Unsecured Claim (or Secured Claim, if it
14 holds collateral) for the amount of the deductible or retention paid, provided that it has timely filed
15 an otherwise not objectionable proof of claim encompassing such amounts. For purposes of
16 retentions and deductibles in any Insurance Policy, including, but not limited to, an Insurance
17 Policy insuring officers, directors, consultants or others against claims based upon prepetition
18 occurrences, the Confirmation Order shall constitute a finding that the Debtors are insolvent and
19 unable to advance or indemnify Insured Claims, from Estate or Debtor Funds, for any loss, claim,
20 damage, settlement or judgment of Debtors within the applicable retention or deductible amount.
However, the foregoing sentence does not modify the Insurer's right to a claim described in the
first sentence of this paragraph or limit reimbursement due Old Republic for deductibles from
proceeds of other insurance. Notwithstanding any other provision of this Section, Old Republic
Insurance Company shall be entitled to all accommodations that it requested in connection with
renewal of Debtors' workers' compensation policy, as approved by order of the Bankruptcy Court
[Docket No. 2803].

21 (c) *Voting.* Class 9 is Impaired. Holders of Insured Claims are entitled to vote
22 to accept or reject the Plan. Unless otherwise ordered by the Bankruptcy Court, each Holder of a
Class 9 Insured Claim shall have a \$1.00 vote for each filed Insured Claim.

23 **4.11 Class 10: 2016 Data Breach Claims.**

24 (a) *Classification.* Class 10 consists of Allowed 2016 Data Breach Claims.

25 (b) *Treatment.* Each holder of an Allowed 2016 Data Breach Claim shall
26 receive access to credit monitoring services at the sole cost of the Debtors for a period of two (2)
27 years following the Effective Date.

(c) *Voting.* Class 10 is Impaired. Holders of Allowed 2016 Data Breach Claims are entitled to vote to accept or reject the Plan.

4.12 Class 11: Subordinated General Unsecured Claims.

(a) *Classification:* Class 11 Claims consists of Subordinated General Unsecured Claims.

(b) *Treatment:* Holders of Allowed Subordinated General Unsecured Claims shall not receive any recovery from the Debtors on or after the Effective Date.

(c) *Voting.* Class 11 is Impaired. Holders of Subordinated General Unsecured Claims are deemed to reject the Plan and are not entitled to vote.

4.13 Class 12: Interests.

(a) *Classification:* Class 12 consists of Allowed Interests against any Debtor.

(b) *Treatment.* Holders of Allowed Interests shall not receive any recovery from the Debtors under the Plan.

(c) *Voting.* Class 12 is Impaired. The holders of Interests are deemed to reject the Plan and are not entitled to vote.

SECTION 5. POST-EFFECTIVE DATE GOVERNANCE

5.1 Dissolution of Certain Debtors. The following Debtors shall be dissolved, under applicable non-bankruptcy law on the Effective Date or shortly thereafter, as determined by the Liquidating Trustee, and each respective Debtor's interests and rights shall be vested, for all purposes in the Liquidating Trust, and all of the interests in such Debtors shall be cancelled and terminated without further order of the Bankruptcy Court: VBS; Holdings; De Paul Ventures; and De Paul - San Jose Dialysis.

5.2 Dissolution of Certain Non-Debtor Affiliates. On the Effective Date, the following Non-Debtor Affiliates shall be dissolved, under applicable non-bankruptcy law: DePaul - San Jose ASC; St. Vincent De Paul Ethics Corporation; VHoldings; Robert F. Kennedy Medical Center; Robert F. Kennedy Medical Center Foundation; and Sports Medical Management, Inc.

5.3 Dissolution of Sale-Leaseback Debtor Foundations.

(a) Dissolution of St. Francis Medical Center of Lynwood Foundation. Until the SFMC Closing Date, St. Francis Medical Center of Lynwood Foundation shall continue to make distributions to SFMC in the ordinary course of business, with any properly donor-restricted gifts distributed in accordance with the terms and conditions of such restricted gift. After the SFMC Closing Date, the properly donor-restricted charitable assets of St. Francis Medical Center of Lynwood Foundation shall be transferred pursuant to approvals to be received from the Attorney General of California, pursuant to section 999.2(e) of title 11 of the California Code of

1 Regulations and related statutes and regulations. Thereafter, St. Francis Medical Center of
2 Lynwood Foundation shall be dissolved under applicable non-bankruptcy law.

3 (b) Dissolution of Seton Medical Center Foundation. Until the Seton Closing
4 Date, Seton Medical Center Foundation shall continue to make distributions to Seton in the
5 ordinary course of business, with any properly donor-restricted gifts distributed in accordance with
6 the terms and conditions of such restricted gift. After the Seton Closing Date, the properly
7 donor-restricted charitable assets of the Seton Medical Center Foundation shall be transferred
8 pursuant to approvals to be received from the Attorney General of California, pursuant to section
9 999.2(e) of title 11 of the California Code of Regulations and related statutes and regulations.
10 Thereafter, Seton Medical Center Foundation shall be dissolved under applicable non-bankruptcy
11 law.

12 5.4 ***Dissolution of the SCC Debtor Foundations.*** On the Effective Date or shortly
13 thereafter, the properly donor-restricted charitable assets of Saint Louise Regional Hospital
14 Foundation and O'Connor Hospital Foundation shall be transferred pursuant to approvals to be
15 received from the Attorney General of California, pursuant to section 999.2(e) of title 11 of the
16 California Code of Regulations and related statutes and regulations. Thereafter, each respective
17 Foundation shall be dissolved under applicable non-bankruptcy law.

18 5.5 *Dissolution of St. Vincent Foundation.* On the Effective Date or shortly
19 thereafter, the properly donor-restricted charitable assets of St. Vincent Foundation shall be
20 transferred pursuant to approvals to be received from the Attorney General of California, pursuant
21 to section 999.2(e) of title 11 of the California Code of Regulations and related statutes and
22 regulations. Thereafter, St. Vincent Foundation shall be dissolved under applicable
23 non-bankruptcy law.

24 5.6 ~~5.5~~ ***Dissolution of VMF.*** VMF shall be dissolved, under applicable
25 non-bankruptcy law, as soon as practicable after completion of the claims process under VMF's
26 capitation agreements.

27 5.7 ~~5.6~~ ***Disposition of Marillac.*** VHS, in its capacity as a Debtor and/or a
28 Post-Effective Date Debtor, and/or the Liquidating Trustee shall take such action as reasonably
necessary and advisable to effectuate the sale, disposition, or other administration of the issued and
outstanding equity interests in, or assets of, Marillac. The net Cash proceeds of such sale,
disposition, or other administration, if any, shall be used to pay Holders of Claims as set forth in
this Plan or as otherwise agreed pursuant to a Creditor Settlement Agreement.

5.8 ~~5.7~~ ***Continued Existence of Post-Effective Date Debtors After the Effective Date.***

(a) Continued Existence of Post-Effective Date Debtors. On and after the
Effective Date, the Post-Effective Date Debtors shall continue in existence for the purposes set
forth herein, and retain their Nonprofit Status to the same extent as such status existed immediately
prior to the Petition Date. No party shall take any action to interfere with, alter, terminate or
otherwise adversely affect the Nonprofit Status of the Post-Effective Date Debtors.

(b) Responsibilities of the Sale-Leaseback Debtors. The Sale-Leaseback
Debtors shall continue in existence for the following limited purposes:

(i) to maintain their corporate existence and full rights as the licensees under the Hospital Licenses so Prime and AHMC may obtain their general acute care hospital licenses from the CDPH and their hospital pharmacy permits from the California State Board of Pharmacy pursuant to their respective Interim Management Agreements;

(ii) to retain statutory and regulatory authority and responsibility for the Hospitals and for oversight over Prime and AHMC, respectively;

(iii) to maintain a possessory interest in the Hospitals, and to lease from Prime and AHMC the Hospital Premises and the Hospital Purchased Assets, pursuant to the Interim Leaseback Agreements and to take such actions as appropriate, necessary, advisable or convenient to further the objectives of, and effectuate, the Interim Management Agreements as contemplated by the provisions of this Plan;

(iv) to maintain the Provider Agreements for Medi-Cal and Medicare, and participate in the Medi-Cal and Medicare programs, until the changes of ownership to Prime and AHMC, respectively, are approved, and collect or otherwise liquidate all amounts owing under the Provider Agreements until all payments due under such agreements have been received by the Post-Effective Date Debtors and, if appropriate, transferred to the Liquidating Trust;

(v) to process claims from providers under capitation agreements, if applicable;

(vi) in furtherance of implementation of the provisions of the Plan, to take any action necessary under applicable law that is consistent with the provisions of the Plan with respect to the Post-Effective Date Debtors and the Hospital Purchased Assets; and

(vii) to take such other actions as may be necessary or appropriate with respect to the affairs, businesses and/or operations of any of the Debtors which are not permitted to be undertaken by the Liquidating Trust under applicable law;

provided, however, that, notwithstanding the foregoing, Seton shall continue in existence solely for the limited purposes set forth in Section ~~5.75.8~~(~~eb~~) hereof in the event that (i) the transfer of the Seton Pharmacy Assets, (ii) the expiration of the Seton Interim Leaseback Agreement, and (iii) the expiration of the Seton Interim Management Agreement all occur prior to the Effective Date.

(c) Responsibilities of SVMC and St. Vincent Dialysis. SVMC and St. Vincent Dialysis shall continue in existence for the following limited purposes:

1 (i) to maintain their corporate existence and full rights to receive any
2 payments, including, but not limited to, payments related to Medi-Cal,
3 Medicare, and the Quality Assurance Payments;

4 (ii) in furtherance of implementation of the provisions of the Plan, to
5 take any action necessary under applicable law that is consistent with the
6 provisions of the Plan; and

7 (iii) to take such other actions as may be necessary or appropriate with
8 respect to the affairs, businesses and/or operations of any of SVMC and St.
9 Vincent Dialysis which are not permitted to be undertaken by the
10 Liquidating Trust under applicable law.

11 (d) Responsibilities of the SCC Debtors. The SCC Debtors shall continue in
12 existence for the following limited purposes:

13 (i) to maintain their corporate existence and full rights to receive any
14 payments, including, but not limited to, payments related to Medi-Cal,
15 Medicare, and the Quality Assurance Payments;

16 (ii) in furtherance of implementation of the provisions of the Plan, to
17 take any action necessary under applicable law that is consistent with the
18 provisions of the Plan; and

19 (ii) to take such other actions as may be necessary or appropriate with
20 respect to the affairs, businesses and/or operations of any of the SCC
21 Debtors which are not permitted to be undertaken by the Liquidating Trust
22 under applicable law.

23 (e) Responsibilities of VHS. VHS shall continue in existence through the
24 expiration of the Interim Agreements and Transition Services Agreement, or as otherwise
25 determined by the Liquidating Trustee, for the following limited purposes: (i) perform support
26 services in accordance with the Interim Agreements and Transition Services Agreement and take
27 other actions as required under the Interim Agreements and Transition Services Agreement; (ii)
28 facilitate the payment of the Liquidating Trustee and its associated professionals; (iii) effectuate
the expeditious sale of the issued and outstanding equity interests in Marillac or provide such other
disposition that may be appropriate, to the extent such sale or other disposition is not effectuated
prior to the Effective Date; and (iv) perform all actions required of the Debtors under any
Executory Agreements set forth in the Schedule of Assumed Contracts.

(f) No Further Approvals Required. In performance of their duties hereunder,
Post-Effective Date Debtors shall have the rights and powers of a debtor in possession under §
1107, and such other rights, powers, and duties necessary, appropriate, advisable or convenient to
effectuate the provisions of the Plan. On and after the Effective Date, the Post-Effective Date
Debtors shall not be required to obtain any approvals from the Bankruptcy Court, any court or
Governmental Unit and/or provide any notices under the Nonprofit Laws to implement the terms
of the Plan.

1 (g) Dissolution. The Liquidating Trustee will cause each Post-Effective Date
2 Debtor to be dissolved for all purposes under applicable non-bankruptcy law, as follows:

3 (i) with respect to the Sale-Leaseback Debtors, after (x) the transfer of
4 the Pharmacy Assets and the expiration of the Interim Agreements, (y) the
5 filing of the final cost reports with CMS and DHCS, if the Sale-Leaseback
6 Debtors are required to remain in existence to file such reports, and (z) after
7 completion of the claims process under the capitation agreements, if
8 required;

9 (ii) with respect to SVMC and St. Vincent Dialysis, after the receipt of
10 all payments related to Medi-Cal and Medicare, including the Quality
11 Assurance Payments;

12 (iii) with respect to the SCC Debtors, after the receipt of all payments
13 related to Medi-Cal and Medicare, including the Quality Assurance
14 Payments; and

15 (iv) with respect to VHS, after (x) the transfer of the Pharmacy Assets
16 and the expiration of the Interim Agreements, and (y) performance of all
17 actions required of the Debtors under any Executory Agreements under the
18 Schedule of Assumed Contracts.

19 The Liquidating Trustee may dissolve a Post-Effective Date Debtor, earlier than as set
20 forth above, if he or she determines that the continued existence of such Post-Effective Date
21 Debtor is not necessary to satisfy the foregoing conditions. Such dissolution shall occur without
22 the necessity for any other or further actions to be taken by or on behalf of the Post-Effective
23 Debtors, or payment of any fees, charges, penalties or other amounts required by applicable
24 non-bankruptcy law; provided, however, that the Liquidating Trustee may in its discretion file any
25 certificates of cancellation as may be appropriate in connection with dissolution of the
26 Post-Effective Date Debtors.

27 5.9 ~~5.8~~ ***Post-Effective Date Board of Directors.***

28 (a) Post-Effective Date Board of Directors of VHS. On the Effective Date, the
board members of VHS shall resign and the Post-Effective Date Board of Directors of VHS will be
appointed. The members that make up the Post-Effective Date Board of Directors of VHS shall
also serve and remain as the members of the subsidiary boards and any other boards required to be
in existence.

(b) Duties. The Post-Effective Date Board of Directors shall (i) fulfill its duties
and obligations under the bylaws and state and federal law, and (ii) oversee the Liquidating
Trustee in his/her capacity as president of the Post-Effective Date Debtors consistent with the
terms of this Plan.

(c) Resignation. Any member of the Post-Effective Date Board of Directors
may resign at any time upon not less than thirty (30) days' written notice to the Liquidating Trustee

1 and the Post-Effective Date Committee; provided, that, the Liquidating Trustee may waive such
2 notice period.

3 (d) Replacement. Notwithstanding anything in the bylaws to the contrary, in
4 the event that a director serving on the Post-Effective Date Board of Directors resigns or is duly
5 removed for cause, or in the event of the death of any such director or other occurrence rendering
6 such director incapacitated or unavailable for a period of thirty (30) consecutive days, a
replacement director shall be designated by the remaining members of the Post-Effective Date
Board of Directors of VHS in consultation with the Liquidating Trustee.

7 (e) Termination. The terms of the Post-Effective Date Board of Directors shall
8 expire upon the date they are no longer required under state law as to each Debtor, as applicable.

9 (f) Limitation of Liability of the Post-Effective Date Board of Directors. The
10 liability of the Post-Effective Date Board of Directors shall be limited to the maximum extent
permitted by law, including any exculpations under the articles of incorporation or bylaws of the
Post-Effective Date Debtors.

11 5.10 Document Preservation. The Liquidating Trust shall comply the Document
12 Retention Policy attached as Exhibit A to Docket No. 3355.

13 SECTION 6. THE LIQUIDATING TRUST

14 6.1 **Creation**. On the Effective Date, the Liquidating Trust shall be created and all of
15 the Liquidating Trust Assets shall be transferred to the Liquidating Trust, pursuant to the terms of
16 the Liquidating Trust Agreement. Nothing in this Plan, including the implementation of the
17 Liquidating Trust, or actions or inactions by the Liquidating Trustee after the Effective Date, shall
18 alter, terminate, or otherwise adversely affect the Nonprofit Status of the Post-Effective Date
Debtors; provided, further, that the transfer of Causes of Action to the Liquidating Trust shall not
impair any parties' rights, defenses, claims, or counterclaims that have been or could be asserted
unless otherwise settled.

19 6.2 **Purposes of the Liquidating Trust**. The primary purpose of the Liquidating Trust
20 shall be the liquidation and distribution of its assets, in accordance with 26 C.F.R. §
21 301.7701-4(d). The primary functions of the Liquidating Trust are as follows: (i) to liquidate, sell,
22 or dispose of the Trust Assets; (ii) to cause all net proceeds of the Trust Assets, including proceeds
23 of Causes of Action on behalf of the Liquidating Trust, to be deposited into the Liquidating Trust;
24 (iii) to initiate actions to resolve any remaining issues regarding the allowance and payment of
25 Claims including, as necessary, initiation and/or participation in proceedings before the Court; (iv)
to take such actions as are necessary or useful to maximize the value of the Liquidating Trust; (v)
to effectuate the wind-down of the Debtors as set forth in the Plan; and (vi) to make the payments
and distributions to Holders of Allowed Claims, including Trust Beneficiaries, as required by the
Plan.

26 6.3 **The Liquidating Trust Agreement**. The Liquidating Trust Agreement executed by
27 the parties thereto shall be filed not less than fourteen (14) days prior to the Ballot Deadline,
28 provided, that a copy of the Liquidating Trust Agreement in substantially final form shall be
included in the Disclosure Statement. The Liquidating Trust Agreement, including the

1 designation of the Liquidating Trustee thereunder, shall be approved by the Court, and the
2 designated Liquidating Trustee shall accept their duties thereunder on or before the Confirmation
3 Date. The Liquidating Trust Agreement shall, among other things, create the Liquidating Trust,
4 identify the Liquidating Trustee, identify the compensation of the Liquidating Trustee, and specify
5 the authorities and powers of the Liquidating Trustee and the Post-Effective Date Committee
6 consistent with this Plan. The Liquidating Trust Agreement may only be amended, modified
and/or supplemented by providing 5 business days written notice to the Plan Proponents, and if
any of the Plan Proponents shall object to such amendment, modification and/or supplement in
writing, subject to Bankruptcy Court approval, after notice and a hearing.

7 **6.4 Operations of the Liquidating Trust.** From and after the Effective Date, the
8 Liquidating Trust may use and dispose of Liquidating Trust Assets, and take any of the actions
9 consistent with this Plan and/or the Liquidating Trust Agreement without the approval of the Court
10 and free of the restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Local
Bankruptcy Rules, provided that the Liquidating Trust will be administered so that it qualifies as a
liquidating trust under 26 C.F.R. § 301.7701-4(d). The actions of the Liquidating Trust and the
Liquidating Trustee shall be governed by the provisions of the Liquidating Trust Agreement.

11 **6.5 Liquidating Trustee.**

12 (a) Appointment. The Liquidating Trustee shall be selected by the Committee
13 with the consent of the Master Trustee, such consent not to be unreasonably withheld. The
14 Liquidating Trustee shall be deemed appointed on the Effective Date, without further motion,
15 application, notice, hearing, or other order of the Bankruptcy Court. The appointment, duties, and
16 powers of the Liquidating Trustee are as set forth in Article 3 of the Liquidating Trust Agreement.
The Liquidating Trustee shall also serve as the president of each Post-Effective Date Debtor in
accordance with the articles of incorporation or bylaws of the Post-Effective Date Debtors.

17 (b) Duties. After the Effective Date, without necessity of any further order of
18 the Bankruptcy Court and/or any federal or state court, the Liquidating Trustee shall have the
19 responsibilities set forth in (i) the Liquidating Trust Agreement, (ii) the articles of incorporation or
20 bylaws of the Post-Effective Date Debtors, and (iii) this Plan, which include, but are not limited to,
those set forth below:

21 (i) implement this Plan and administer the Liquidating Trust;

22 (ii) hold legal title to any and all rights of the Trust Beneficiaries in or
23 arising from the Liquidating Trust Assets, including, but not limited to,
24 collecting, receiving any and all money and other property belonging to the
Liquidating Trust and the right to vote any claim or interest in a case under
the Bankruptcy Code and receive any distribution therein;

25 (iii) perform the duties, exercise the powers, and assert the rights of a
26 trustee under §§ 704 and 1106, including, without limitation, commencing,
27 prosecuting or settling Causes of Action, enforcing contracts, and asserting
claims, defenses, offsets and privileges and shall be deemed substituted as
28 plaintiff therein without need for any further order of the Bankruptcy Court

1 and shall have all of the standing, rights, powers and obligations of the
2 Debtors and the Non-Debtor Affiliates for all purposes with respect to the
Liquidating Trust Assets;

3 (iv) be responsible for the following related to the Post-Effective Date
4 Debtors:

5 (a) oversee the management and operations of the Hospital
6 Purchased Assets pursuant to the Interim Agreements,
7 including, without limitation, the administration of all
obligations and claims, and the Transfer or other disposition
of the Hospital Purchased Assets;

8 (b) oversee and implement the responsibilities and duties of the
9 Sale-Leaseback Debtors;

10 (c) ensure compliance with the Interim Agreements;

11 (d) report to the respective board on a regular basis and provide
12 such information and reports that may be reasonably
requested by the Post-Effective Date Board of Directors;

13 (e) oversee SVMC's, St. Vincent Dialysis's, and the SCC
14 Debtors' collection of Quality Assurance Payments and
other accounts; and

15 (f) oversee and implement the responsibilities and duties of
16 VHS, including, but not limited to, ensuring compliance
17 with the Interim Agreements and the Transition Services
Agreements;

18 (v) protect and enforce the rights to the Liquidating Trust Assets by any
19 method deemed appropriate including, without limitation, by judicial
20 proceedings or pursuant to any applicable bankruptcy, insolvency,
moratorium or similar law and general principles of equity;

21 (vi) compromise, adjust, arbitrate, sue on or defend, pursue, prosecute,
22 abandon, or otherwise deal with and settle, in accordance with the terms of
the Liquidating Trust Agreement, the Causes of Action in favor of or
23 against the Liquidating Trust as the Liquidating Trustee shall deem
advisable;

24 (vii) avoid and recover transfers of the Debtors and Non-Debtor
25 Affiliates' property as may be permitted by the Bankruptcy Code or
26 applicable state law, including, without limitation, those identified in the
Disclosure Statement;

(viii) determine and satisfy any and all liabilities created, incurred or assumed by the Liquidating Trust;

(ix) estimate, object to and otherwise administer Claims (except for Professional Claims ~~and~~, the 2005 Revenue Bonds Diminution Claim, and any Allowed Claim payable on or prior to the Effective Date) and Interest;

(x) file, if necessary, any and all tax and information returns with respect to the Liquidating Trust, including the Liquidating Trust Reserves, and pay taxes properly payable by the Liquidating Trust, if any;

(xi) obtain insurance coverage with respect to the liabilities and obligations of the Liquidating Trustee under this Liquidating Trust Agreement (in the form of an errors and omissions policy or otherwise);

(xii) continue to ensure compliance with the terms of the Transition Services Agreements related to the SFMC Sale and the Seton Sale;

(xiii) serve as the president, or appoint an officer, of SVMC, St. Vincent Dialysis, and the SCC Debtors;

(xiv) report to the Post-Effective Date Committee;

(xv) enforce the terms of the Interim Agreements and the Transition Services Agreements;

(xvi) perform tasks necessary to effectuate termination of the Defined Contribution Plans, if any; and

(xvii) take any action required or permitted by the Plan.

(c) Oversight. The Liquidating Trustee shall keep the Master Trustee informed, from time to time, of the progress of the Liquidating Trust in collecting and liquidating the Liquidating Trust Assets, including all offers of compromise and settlement with respect to such assets. Unless and until the First Priority Trust Beneficial Interests are paid in full, any decisions of the Liquidating Trustee to settle, compromise, affect, waive or release any rights of the Liquidating Trust in any assets having a nominal value of \$50,000 or more (or such other minimum amount as may be agreed to by the Liquidating Trustee and the Master Trustee) shall require the consent of the Master Trustee, which consent may be withheld in its sole discretion. In the event that the Liquidating Trustee intends to decline an offer of compromise or settlement that would result in the payment in full of the First Priority Trust Beneficial Interests (any such offer, an "Exit Offer"), such decision shall be made only if, in the reasonable determination of the Liquidating Trustee, there is a reasonable probability that a materially greater amount can be collected within a reasonable period of time. If the Master Trustee disagrees with the decision of the Liquidating Trustee to decline an Exit Offer, the Master Trustee may commence an expedited, confidential arbitration against the Liquidating Trustee and the Post-Effective Date Committee seeking a determination that the Liquidating Trustee has not acted reasonably in declining to accept such Exit Offer, and compelling the Liquidating Trustee to accept such Exit Offer.

1 (d) Resignation as Liquidating Trustee. The Liquidating Trustee may resign at
2 any time upon not less than sixty (60) days' written notice to the Post-Effective Date Committee
3 and the Post-Effective Date Board of Directors (if in existence at that time); provided, that the
4 Post-Effective Date Committee and the Post-Effective Date Board of Directors may waive such
5 notice requirement.

6 (e) Term as President of Post-Effective Date Debtors. The term of the
7 Liquidating Trustee as president of the Post-Effective Date Debtors expires on the earlier of (i)
8 twelve (12) months following the Effective Date or (ii) the expiration of the Interim Agreements,
9 unless the Liquidating Trustee, with the consent of the Post-Effective Date Board of Directors,
10 requests that the Court extend such term. Prior to the expiration of the term of the Liquidating
11 Trustee as president of the Post-Effective Date Debtors, the Post-Effective Date Board of
12 Directors may, in consultation with the Post-Effective Date Committee, terminate the Liquidating
13 Trustee as president for cause.

14 (f) Replacement of the Liquidating Trustee. In the event that the Liquidating
15 Trustee resigns, or in the event of the death of the Liquidating Trustee or other occurrence
16 rendering the Liquidating Trustee incapacitated or unavailable for an extended period of thirty (30)
17 consecutive days, a replacement Liquidating Trustee shall be appointed. If such appointment
18 occurs prior to full payment of the First Priority Trust Beneficial Interests, the Post-Effective Date
19 Committee shall appoint a replacement Liquidating Trustee in consultation with the Post-Effective
20 Date Board of Directors, if such Board has not been disbanded, and with the consent of the Master
21 Trustee, such consent not to be unreasonably withheld. If such appointment occurs after full
22 payment of the First Priority Trust Beneficial Interests, the Post-Effective Date Committee shall
23 appoint a replacement Liquidating Trustee in consultation with the Post-Effective Date Board of
24 Directors, if such Board has not been disbanded. A notice of the identity of the new Liquidating
25 Trustee shall be filed with the Bankruptcy Court promptly after the new Liquidating Trustee is
26 appointed.

27 (g) No Further Approvals Required/Transfer of Liquidating Trust Assets. In
28 performance of its duties hereunder, the Liquidating Trustee shall have the rights and powers of a
debtor in possession under § 1107, and such other rights, powers, and duties necessary,
appropriate, advisable or convenient to effectuate the provisions of the Plan. On and after the
Effective Date, the Liquidating Trustee shall not be required to obtain any approvals from the
Bankruptcy Court, any court or Governmental Unit and/or provide any notices under any
applicable laws, including under the Nonprofit Laws, to implement the terms of the Plan,
including, without limitation, the Transfer of any Liquidating Trust Assets retained by the
Liquidating Trust. As further set forth in the Liquidating Trust Agreement, without limitation of
the foregoing, with the prior Consent of the Master Trustee (until the First Priority Beneficial Trust
Interests are paid in full) and the Post-Effective Date Committee, the Liquidating Trustee shall be
authorized pursuant to this Plan to Transfer any or all of the Liquidating Trust Assets without
necessity of any further notice or approval of the Bankruptcy Court and/or under any applicable
state or federal law, including under the Nonprofit Laws. This provision shall be subject in its
entirety to the Liquidating Trust Agreement.

(h) Operation of Hospital Purchased Assets. The Liquidating Trustee shall be
authorized (i) to continue to Operate the Hospital Purchased Assets pursuant to the Interim

1 Agreements without necessity of any further notice or approval by the Bankruptcy Court, (ii) to
2 execute any agreement or other instrument necessary to implement the terms of the SFMC Asset
3 Purchase Agreement, the Seton Asset Purchase Agreement, the Transition Services Agreements,
4 and the Interim Agreements, and (iii) to enforce the terms of the Interim Agreements and the
5 Transition Services Agreements.

6 (i) **Compensation.** The Liquidating Trustee shall be compensated and
7 reimbursed for his/her out-of-pocket expenses incident to the performance of his/her duties under
8 the Plan as set forth in the Liquidating Trust Agreement, without further motion, application,
9 notice or other order of the Bankruptcy Court. The fees and expenses of the Liquidating Trustee
10 shall be satisfied solely out of the Liquidating Trust Administration Accounts.

11 6.6 **Books and Records.** As more fully set forth in the Liquidating Trust Agreement,
12 the Liquidating Trustee shall maintain, with respect to the Liquidating Trust and the Trust
13 Beneficiaries, books and records relating to the Liquidating Trust Assets and income of the
14 Liquidating Trust and the payment of expenses of, and liabilities of claims against or assumed by,
15 the Liquidating Trust in such detail and for such period of time as may be necessary to enable it to
16 make full and proper accounting in respect thereof. Such books and records shall be maintained on
17 a modified cash or other comprehensive basis of accounting necessary to facilitate compliance
18 with the tax reporting requirements of the Liquidating Trust. Except as provided in the
19 Liquidating Trust Agreement and the Plan, nothing requires the Liquidating Trustee to file any
20 accounting or seek approval of any court with respect to the administration of the Liquidating
21 Trust, or as a condition for managing any payment or distribution out of the Liquidating Trust
22 Assets.

23 6.7 **Payment of Trust Expenses.** As set forth below, the Liquidating Trust expenses
24 shall be paid, or adequate reserves created therefor, from the Liquidating Trust Administration
25 Accounts.

26 6.8 **Employment and Compensation of Professionals.** In accordance with the
27 Liquidating Trust Agreement, the Liquidating Trust may employ such counsel (which may be the
28 same counsel employed by either the Post-Effective Date Committee or the Post-Effective Date
Debtors), advisors and other professionals selected by the Liquidating Trustee that the Liquidating
Trustee reasonably requires to perform its responsibilities under the Plan without further order
from the Bankruptcy Court. The Liquidating Trust's professionals shall be compensated as agreed
to by the Liquidating Trustee and paid upon five (5) Business Days' notice to the Post-Effective
Date Committee, without further motion, application, notice or other order of the Bankruptcy
Court. The fees and expenses of the Liquidating Trust's professionals shall be satisfied solely out
of the Liquidating Trust Administrative Accounts.

6.9 **Limitation of Liability of the Liquidating Trustee and the Post-Effective Date
Committee.** The Liquidating Trustee and the Post-Effective Date Committee, and the Liquidating
Trustee's attorneys, accountants, consultants, employees, agents and assignees, shall have no
liability for any error of judgment, actions, or omissions made in good faith other than as a result of
gross negligence or willful misconduct. No provisions of this Plan shall require the Liquidating
Trustee or any of the members of the Post-Effective Date Committee to expend or risk his/her own
funds or otherwise incur personal financial liability in the performance of any of his/her duties

1 under this Plan or in the exercise of any of the Liquidating Trustee's and the Post-Effective Date
2 Committee's rights and powers. The Liquidating Trust shall indemnify and hold the Liquidating
3 Trustee and Post-Effective Date Committee harmless, from and against any damages, costs, claims
4 and other liabilities incurred by any of them in connection with their respective duties and
5 responsibilities hereunder, other than those damages, costs, claims and other liabilities that result
6 from such party's gross negligence or willful misconduct. Further, as provided in the Interim
7 Agreements, Prime and AHMC shall indemnify and hold the Liquidating Trustee harmless, from
8 and against any damages, costs, claims and other liabilities incurred by him/her in connection with
the respective duties and responsibilities hereunder, other than those damages, costs, claims and
other liabilities that result from the Liquidating Trustee's gross negligence or willful misconduct.
The Liquidating Trustee may purchase or extend existing insurance to cover potential liabilities
that may be incurred in the Chapter 11 Cases, and such cost shall be paid for by the Liquidating
Trust from the Liquidating Trust Administration Accounts..

9 **6.10 Termination of the Trust.** The Liquidating Trust will terminate on the
10 earlier of: (a) thirty (30) days after the final distribution of the Liquidating Trust Assets in
11 accordance with the terms of this Liquidating Trust Agreement and the Plan; and (b) the fifth (5th)
12 anniversary of the Effective Date. Notwithstanding the foregoing, multiple fixed term extensions
13 can be obtained so long as Bankruptcy Court approval is obtained within three (3) months before
14 the expiration of the term of the Liquidating Trust and each extended term. The aggregate of all
15 such extensions shall not exceed three (3) years, unless the Liquidating Trustee receives a
16 favorable ruling from the IRS that any further extension would not adversely affect the status of
17 the Liquidating Trust as a liquidating trust within the meaning of 26 C.F.R. § 301.7701-4(d) for
18 federal income tax purposes. The Liquidating Trustee shall not unduly prolong the duration of the
19 Liquidating Trust and shall at all times endeavor to resolve, settle or otherwise dispose of all
20 claims that constitute Liquidating Trust Assets and to effect the distribution of the Liquidating
21 Trust Assets to the Trust Beneficiaries in accordance with the terms hereof and terminate the
22 Liquidating Trust as soon as practicable. Prior to and upon termination of the Liquidating Trust,
the Liquidating Trust Assets will be distributed no less frequently than quarterly as set forth herein
first, to the holder of the First Priority Trust Beneficial Interests until such Trust Beneficial
Interests are paid in full, and second, to the holders, *pro rata*, of the Second Priority Trust
Beneficial Interests until paid in full. Such distributions shall otherwise be made pursuant to the
provisions set forth herein and in the Liquidating Trust Agreement. If any Liquidating Trust
Assets are not duly claimed, such Liquidating Trust Assets will be distributed pursuant to Section
8.5. If there are still any Liquidating Trust Assets after a final distribution and payment of all
expenses associated with the Liquidating Trust, such Liquidating Trust Assets will be disposed of
in accordance with applicable law.

23 **SECTION 7. MEANS FOR IMPLEMENTATION OF THE PLAN**

24 **7.1 Creditor Settlement Agreements.**

25 (a) Plan Settlement. Pursuant to Bankruptcy Rule 9019 and § 1123(b)(3)(A),
26 the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, as of the
27 Effective Date, of the Plan Settlement by and between the Debtors, the Prepetition Secured
28 Creditors, and the Committee. The primary terms of the Plan Settlement are as follows:

1 (i) the Holders of Secured 2005 Revenue Bond Claims shall
2 receive the treatment set forth in Section 4.5, including, but not
3 limited to, the receipt of the Initial Secured 2005 Revenue Bonds
4 Claims Payment and the First Priority Trust Beneficial Interests in
full and final satisfaction of the 2005 Revenue Bonds Diminution
Claim;

5 (ii) the Holders of Allowed General Unsecured Claims shall
6 receive the treatment set forth in Section 4.9, including, but not
7 limited to, the receipt of Second Priority Beneficial Trust Interests
in full and final satisfaction of all Allowed General Unsecured
Claims;

8 (iii) on the Effective Date, or as soon thereafter is reasonably
9 practicable, the following litigations and the claims asserted therein
10 shall be dismissed with prejudice: (a) the adversary proceeding
11 captioned *Official Committee of Unsecured Creditors of Verity*
12 *Health System of California, Inc., et al. v. U.S. Bank National*
13 *Association, as trustee*, Adv. Case No. 2:19-ap-01165-ER (Bankr.
14 C.D. Cal.); and (b) the adversary proceeding captioned *Official*
Committee of Unsecured Creditors of Verity Health System of
California, Inc., et al. v. UMB Bank, National Association, as
trustee, Adv. Case No. 2:19-ap-01166-ER (Bankr. C.D. Cal.);

15 (iv) any outstanding stipulation or other agreement tolling the
16 Committee's right to pursue claims against Verity MOB Financing,
17 LLC and Verity MOB Financing II, LLC pursuant to the Final DIP
Order and/or the Cash Collateral Orders shall be terminated and all
18 further rights of the Committee with respect to such claims shall be
waived, released, and terminated with prejudice;

19 (v) the Confirmation Order shall include, without limitation,
20 findings that: (a) the Prepetition Secured Creditors were
21 oversecured as of the Petition Date and are entitled to retain
22 Adequate Protection Payments as allowed postpetition interest and
23 fees under § 506(a); (b) the amount of the Prepetition Replacement
24 Lien (as defined in the Final DIP Order and the Cash Collateral
25 Orders) that may be asserted by the Master Trustee and the 2005
26 Revenue Bonds Trustee is equal to or greater than the 2005 Revenue
27 Bonds Diminution Claim; (c) the 2005 Revenue Bonds Claim,
including the 2005 Revenue Bonds Diminution Claim, constitutes
an Allowed Secured Claim for all purposes under the Plan and the
Liquidating Trust Agreement, and on and after the Effective Date
shall not be subject to any defense, reduction, setoff or
counterclaim, including without limitation, pursuant to any claims
under §§ 506(c) and 552(b) of the Bankruptcy Code; and (d) the
Master Trustee and the 2005 Bonds Trustee are authorized to enter

1 into the Plan Settlement on behalf of the holders of the 2005 Bonds
2 Claims and such Trustees have properly exercised their rights,
3 powers and discretion pursuant to the 2005 Bonds Indenture and
4 applicable law in entering into the Plan Settlement, which shall be
bind the Master Trustee, the 2005 Revenue Bonds Trustee and all
holders of the 2005 Revenue Bonds Claims;

5 (vi) the Debtors and the Prepetition Secured Creditors shall
6 waive any objection to the fees and expenses incurred by the
7 Committee's advisors which exceed the limitations for investigating
8 and prosecuting claims against the Prepetition Secured Creditors set
9 forth in the Final DIP Order, the Cash Collateral Orders, the related
10 budgets, and as set forth more fully in the Debtors' reservations of
rights [Docket Nos. 3896, 4287]; provided, however, nothing herein
shall be deemed a waiver of the rights of any party to object to the
reasonableness of fees and/or expenses of the Committee;

11 (vii) the Master Trustee and the 2005 Revenue Bonds Trustee
12 shall agree that, on the Effective Date, the Debtors shall pay, or
13 reserve for, all Allowed and allowable Administrative Claims not
14 otherwise paid in the ordinary course of the Debtors' operations
notwithstanding that, absent such agreement, such Administrative
Claims would not otherwise be entitled to any payment absent full
payment of the 2005 Revenue Bonds Claim;

15 (viii) the Indenture Trustees and their affiliates shall be Released
16 Parties under this Plan and shall be granted the benefit of the
17 releases, injunctions, and exculpations set forth herein pursuant to §
1123(b)(3)(A) and the Plan Settlement; and

18 (ix) the Plan Settlement shall be effective provided that (a) the
19 Confirmation Order is not subject to a stay of effectiveness on the
Effective Date, and (b) Effective Date occurs on or before
20 September 5, 2020.

21 The entry of the Confirmation Order shall constitute the Bankruptcy Court's finding that (i)
22 entering into the Plan Settlement is in the best interests of the Debtors, their Estates, and their
creditors, (ii) the Plan Settlement is fair, equitable and reasonable, and (iii) the Plan Settlement
23 meets all the standards set forth in Bankruptcy Rule 9019 and § 1123(b)(3)(A).

24 (b) PBGC Settlement. Pursuant to Bankruptcy Rule 9019 and § 1123(b)(3)(A),
the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, as of the
25 Effective Date, of the PBGC Settlement by and between the Debtors and the PBGC. The primary
terms of the PBGC Settlement are as follows:
26
27
28

(i) the PBGC is granted a single, Allowed Administrative Claim against the Debtors in the total amount of \$3,000,000 to be paid on the Effective Date;

(ii) the PBGC is granted a single, Allowed General Unsecured Claim against the Debtors in the total amount of \$450,000,000;

(iii) the PBGC shall support confirmation of the Plan and entry of the Confirmation Order;

(iv) notwithstanding anything to the contrary in the Plan or Confirmation Order, any fiduciary breach claims held by the PBGC related to ~~any of the Debtors pension plan covered by title IV of the Employment Retirement Income Security Act of 1974, as amended, 29 U.S.C. §§ 1301-1461 (2006 & Supp. III 2009)~~ the Verity Health System Retirement Plan A and Verity Health System Retirement Plan B, shall not be not released, waived, or discharged under this Plan or the Confirmation Order;

(v) the PBGC Settlement shall be in full and final satisfaction of the PBGC Claims; and

(vi) the PBGC Settlement shall be null and void in the event that (A) the Plan is not confirmed or does not go into effect, or (B) the SFMC Sale or Seton Sale do not close, ~~or (C) the SFMC Sale or Seton Sale close for a purchase price that is materially less than the contracted amount in the SFMC Asset Purchase Agreement or the Seton Asset Purchase Agreement, as applicable.~~

The entry of the Confirmation Order shall constitute the Bankruptcy Court's finding that (i) entering into the PBGC Settlement is in the best interests of the Debtors, their Estates, and their creditors, (ii) the PBGC Settlement is fair, equitable and reasonable, and (iii) the PBGC Settlement meets all the standards set forth in Bankruptcy Rule 9019 and § 1123(b)(3)(A). Notwithstanding any provision in the Plan (including Section 13 hereof) or the Confirmation Order to the contrary, neither the Plan nor the Confirmation Order shall in any way be construed to discharge, release, limit, or relieve any party for a fiduciary breach related to the Verity Health System Retirement Plan A or Verity Health System Retirement Plan B. The PBGC, the Verity Health System Retirement Plan A, and the Verity Health System Retirement Plan B shall not be enjoined or precluded from enforcing such liability or responsibility by any of the provisions of the Plan or the Confirmation Order.

(c) Other Creditor Settlement Agreements. Pursuant to Bankruptcy Rule 9019 and § 1123(b)(3), the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, as of the Effective Date, of each of the Creditor Settlement Agreements and the finding that (i) entering into each of the Creditor Settlement Agreements is in the best interests of the Debtors, their Estates, and their creditors, (ii) each of the Creditor Settlement Agreements is fair, equitable and reasonable, and (iii) each of the Creditor Settlement Agreements meets all the

standards set forth in Bankruptcy Rule 9019 and § 1123(b)(3). Notwithstanding anything to the contrary set forth herein, all distributions contemplated by each Creditor Settlement Agreement shall be made only in accordance with the terms of the respective Creditor Settlement Agreement.

7.2 Deemed Substantive Consolidation. The Plan contemplates, and is predicated on, the deemed substantive consolidation of the Debtors' Estates as follows:

(a) Entry of the Confirmation Order shall constitute the approval, pursuant to §§ 105(a), 541, 1123, and 1129, of the deemed substantive consolidation of the Debtors in the manner set forth herein. Notwithstanding such deemed substantive consolidation, however, fees payable, pursuant to 28 U.S.C. § 1930, shall be due and payable by each individual Debtor.

(b) The deemed substantive consolidation effected pursuant to the Plan shall not affect, without limitation, (i) the Debtors', the Post-Effective Date Debtors', or the ~~Liquidation~~Liquidating Trust's defenses to any Claim or Cause of Action, including the ability to assert any counterclaim, provided, that, the Liquidating Trust shall neither assert nor preserve Intercompany Claims, except to the extent necessary to preserve claims and defenses against any third parties other than the Debtors; (ii) the Debtors', the Post-Effective Date Debtors', or the ~~Liquidation~~Liquidating Trust's setoff or recoupment rights; (iii) requirements for any third party to establish mutuality prior to deemed substantive consolidation in order to assert a right of setoff against the Debtors, the Post-Effective Date Debtors, or the ~~Liquidation~~Liquidating Trust; (iv) distributions to the Debtors, the Estates, the Post-Effective Date Debtors, or the ~~Liquidation~~Liquidating Trust out of any Insurance Policies or proceeds of such policies; (v) distributions to the Debtors, the Estates, the Post-Effective Date Debtors, or the ~~Liquidation~~Liquidating Trust from any governmental programs, including, but not limited to, Medicare and Medi-Cal, including any fee for service payments and any Quality Assurance Payments; (vi) the applicability and enforceability of any government issued licenses, including, but not limited to, the Hospital Licenses, or (vii) any Avoidance Action or any other Cause of Action held by the Debtors arising under §§ 541 through 550, or state laws of similar effect, against any third party other than the other Debtors, except to the extent any such actions are expressly waived or settled pursuant to this Plan.

(c) The Disclosure Statement and the Plan shall be deemed to be a motion requesting that the Bankruptcy Court approve the deemed substantive consolidation contemplated by the Plan. Unless an objection to the proposed deemed substantive consolidation is made in writing by any creditor purportedly affected by such deemed substantive consolidation on or before the deadline to object to confirmation of the Plan, or such other date as may be fixed by the Bankruptcy Court, the deemed substantive consolidation contemplated by the Plan may be approved by the Bankruptcy Court at the Confirmation Hearing. In the event any such objections are timely filed, a hearing with respect thereto shall be scheduled by the Bankruptcy Court, which hearing may, but need not, be the Confirmation Hearing.

(d) If the Bankruptcy Court determines that deemed substantive consolidation of any given Debtors is not appropriate, then the Plan Proponents may request that the Bankruptcy Court otherwise confirm the Plan and approve the treatment of and Distributions to the different Classes under the Plan on an adjusted, Debtor-by-Debtor basis. Furthermore, the Debtors reserve their rights, with the consent of the Plan Proponents: (i) to seek confirmation of the Plan without

1 implementing deemed consolidation of any given Debtor, and, in the Debtors' reasonable
2 discretion, to request that the Bankruptcy Court approve the treatment of and Distributions to any
3 given Class under the Plan on an adjusted, Debtor-by-Debtor basis; and (ii) to seek deemed
4 consolidation of all Debtors whether or not all Impaired Classes entitled to vote on the Plan vote to
5 accept the Plan.

6 **7.3 Cancellation of Existing Indentures and Related Securities.** On the Effective
7 Date, and conditioned on the irrevocable receipt of all of the Plan payments to the respective Bond
8 and Notes Trustees on behalf of Classes 2, 3, and 4 due upon the Effective Date, and the
9 effectiveness of the releases and exculpations of each of the Indenture Trustees in accordance with
10 Sections 13.5(d) and 13.7 of the Plan, the Master Indenture of Trust, dated as of December 1, 2001,
11 as amended and supplemented, among the Daughters of Charity Health System, as predecessor in
12 interest to VHS, the 2005 Revenue Bonds Indentures, the 2015 Revenue Notes Indentures and the
13 2017 Revenue Notes Indentures (collectively, the "**Indentures**"), together with the related
14 Obligations of the Debtors, loan agreements and security documents to which the Debtors are
15 party, including the Intercreditor Agreement, and the respective notes, bonds, and securities issued
16 under each of the Indentures shall be deemed inoperative and unenforceable against the Debtors
17 and the Debtors shall have no continuing obligations thereunder, and the Indenture Trustees shall
18 each be discharged for all purposes, provided, however, that the foregoing Indentures shall
19 continue in effect solely to the extent necessary to (i) allow the respective Bond and Notes Trustees
20 to receive and make distributions under the Plan to their respective holders, and preserving the tax
21 attributes of such distributions under such Indentures and (ii) allow the respective Indenture
22 Trustees to enforce any obligations owed to them under the Plan or their respective Indentures
23 (including compensation and reimbursement for any reasonable and documented fees and
24 expenses pursuant to their respective charging liens as provided in the Indentures, as applicable).
25 Without limiting the foregoing, the Bond and Notes Trustees, as applicable, shall receive all
26 distributions made under the Plan on account of their respective Allowed Claims and shall
27 distribute them in any manner permitted by the applicable Indentures, including on a date selected
28 by the respective Bond and Notes Trustee on or after the Effective Date for surrender and
cancellation of securities. The Indenture Trustees shall be entitled to receive from the Liquidating
Trust their reasonable fees and expenses incurred in releasing any liens and making distributions,
as applicable, in accordance with the relevant Indentures, the Plan, and the Confirmation Order.
Notwithstanding the foregoing, if any claim is ever made upon the Indenture Trustees or any
Prepetition Secured Creditor subject to the Intercreditor Agreement, which results in the
rescission, repayment, recovery or restoration of any amounts received by the Indenture Trustees
(or in the case of the Prepetition Secured Creditors, as distributed from the Indenture Trustees to
such Prepetition Secured Creditor) pursuant to the Plan, the Intercreditor Agreement shall be
reinstated in full force and effect, and the prior termination of the Intercreditor Agreement
pursuant to this Section 7.3 shall not diminish, release, discharge, impair or otherwise affect the
obligations of the parties to the Intercreditor Agreement from such date of reinstatement.

6 **7.4 Funding for Distributions.** The distributions to holders of Allowed Claims and
7 Trust Beneficiaries contemplated under the Plan shall be funded as set forth herein.

6 **7.5 No Further Court Authorization.** Except as provided herein or the Confirmation
7 Order, the Liquidating Trustee will continue the orderly administration of the Liquidating Trust
8 Assets and otherwise implement the provisions of this Plan without necessity of any further order

1 of the Bankruptcy Court or approval or consent of any Governmental Unit, including under the
2 Nonprofit Laws. Further, except as provided herein or the Confirmation Order, the Liquidating
3 Trustee will continue his/her oversight and related responsibilities pursuant to the Plan and Interim
4 Agreements without necessity of any further order of the Bankruptcy Court or other Governmental
5 Unit, including under the Nonprofit Laws.

6 **7.6 *Operating Accounts for the Post-Effective Date Debtors.*** On the Effective Date,
7 subject to the prior payment of the amounts required to be paid by the Debtors in cash on the
8 Effective Date pursuant to this Plan, Operating Accounts for Post-Effective Date Debtors shall be
9 established and funded in accordance with, or, if previously established, continued in accordance
10 with, the Operating Budget. The Liquidating Trustee shall be authorized to use the funds in the
11 Operating Accounts to preserve, administer, and continue the Operations of the Operating Assets,
12 including paying all costs and expenses associated therewith, and collection of any amounts due
13 under the Interim Agreements, each in accordance with the Operating Budget. After the Effective
14 Date, all Cash or other proceeds generated by the Operating Assets and required to fund the
15 Operating Accounts and/or Operate the Operating Assets shall not be included within the
16 definition of the Remaining Cash under this Plan.

17 **7.7 *Transfer of Certain Funds Into the Liquidating Trust.*** Post-Effective Date, the
18 Liquidating Trustee, subject to the prior payment of all amounts required to be paid by the Debtors
19 in cash on the Effective Date pursuant to this Plan, shall transfer funds received on account of any
20 Post-Effective Date Debtors to the Liquidating Trust except for funds that (i) constitute Hospital
21 Purchased Assets, or (ii) are to be retained by the Post-Effective Date Debtors under the Interim
22 Agreements and the Operating Budget. The aforementioned transfers to the Liquidating Trust
23 shall be made as soon as practicable, but no less frequently than on a quarterly basis, with the first
24 such transfer occurring as soon as practicable after the Effective Date. Further, the Liquidating
25 Trustee shall transfer all funds held or received by SVMC, St. Vincent Dialysis, and the SCC
26 Debtors on or after the Effective Date to the Liquidating Trust as soon as practicable, but no less
27 frequently than on a quarterly basis, with the first such transfer occurring as soon as practicable
28 after the Effective Date.

(a) **Liquidating Trust Tax Matters.** For all federal and applicable state and local
income tax purposes:

(i) All parties must treat each transfer of Liquidating Trust Assets to the
Liquidating Trust in accordance with the terms of the Plan and the
Liquidating Trust Agreement.

(ii) All parties shall treat the Liquidating Trust as a grantor trust, of
which the Trust Beneficiaries are the owners and grantors, and treat the
Trust Beneficiaries as the direct owners of an undivided interest in
Liquidating Trust Assets (other than any assets allocable to Liquidating
Trust Reserves and the Liquidating Trust Administration Accounts),
consistent with their economic interests therein.

(iii) Each transfer of Liquidating Trust Assets (other than any assets
allocable to Liquidating Trust Reserves and the Liquidating Trust

Administration Accounts) to the Liquidating Trust shall be treated as a transfer of such assets directly to the holders of Trust Beneficial Interests in partial satisfaction of their Claims (with each Trust Beneficiary receiving an undivided interest in such assets in accord with their economic interests in such assets), followed by the transfer by the Trust Beneficiaries to the Liquidating Trust of such assets in exchange for the Trust Beneficial Interests.

(iv) The Liquidating Trustee will make a good faith valuation of the Liquidating Trust Assets. All parties must consistently use such valuation for all federal and applicable state and local income tax purposes.

(v) Allocations of the Liquidating Trust's taxable income (other than income attributable to assets in the Liquidating Trust Reserves and the Liquidating Trust Administration Accounts) among the beneficiaries of the Liquidating Trust shall be determined by reference to the manner in which an amount of Cash equal to such taxable income would be distributed (without regard to any restrictions on distributions) if, immediately prior to such deemed distribution, the Liquidating Trust had distributed all of its other assets (valued at their tax book value and other than assets allocable to Disputed Claims) to the Trust Beneficiaries, in each case up to the tax book value of the assets treated as contributed by such Trust Beneficiaries, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Liquidating Trust. Similarly, taxable loss of the Liquidating Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Liquidating Trust Assets. The tax book value of the Liquidating Trust Assets for this purpose shall equal their fair market value on the date such assets are transferred to the Liquidating Trust, adjusted in accordance with tax accounting principles prescribed by the IRC, applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements.

(vi) The Liquidating Trustee shall file with the IRS returns for the Liquidating Trust as a grantor trust pursuant to 26 C.F.R. § 1.671-4(a). The Liquidating Trustee also shall annually send to each Trust Beneficiary a separate statement setting forth the Trust Beneficiary's share of items of income, gain, loss, deduction, or credit and shall instruct all of the Trust Beneficiaries to report such items on their federal income tax returns or to forward the appropriate information to such Trust Beneficiary's underlying beneficial holders with instructions to report such items on their federal income tax returns.

(vii) The Liquidating Trustee shall (x) treat the Liquidating Trust Reserves as "disputed ownership funds" governed by 26 C.F.R. § 1.468B-9 by timely making an election, and (y) to the extent permitted by applicable

law, report consistently with the foregoing for state and local income tax purposes.

(viii) The Liquidating Trustee shall be responsible for the payment, out of the Liquidating Trust, of any taxes imposed on the Liquidating Trust or the Liquidating Trust Assets, including the Liquidating Trust Reserves.

7.8 ***Funding of the Liquidating Trust Administration Accounts.*** On or prior to the Effective Date, the Liquidating Trustee shall have the authority, subject to the Liquidating Trust Agreement, to establish and maintain one or more Liquidating Trust Administration Accounts in the name of the Liquidating Trustee pursuant to the terms of this Plan and the Liquidating Trust Agreement. On the Effective Date, an amount of the Debtors' Cash on hand equal to an aggregate of \$3,500,000.00 shall be deposited in the Liquidating Trust Administration Accounts as designated by the Liquidating Trustee. The Liquidating Trustee shall have the authority, subject to the Liquidating Trust Agreement, to utilize the funds in the Liquidating Trust Administration Account to pay any and all reasonable costs and expenses incurred in implementing the terms of this Plan and the Liquidating Trust Agreement, including, but not limited to, the costs of collection and liquidation of the Liquidating Trust Assets. et. As assets are collected by the Liquidating Trust, at least 95% of the gross amount of such collections shall be deposited into the Plan Fund, to be paid to the Master Trustee for application against the ~~Frist~~First Priority Trust Beneficial Interests until the 2005 Revenue Bonds Diminution Claim is paid in full, and the remainder of such gross collections may be retained by the Liquidating Trust and deposited into the Liquidating Trust Administration Account; provided, that, if and when the aggregate of the deposits into the Liquidating Trust Administration Account, including the initial \$3,500,000.00 deposit, equals \$7,500,000.00, 100% of all subsequent gross collections shall be deposited into the Plan Fund, to be paid to the Master Trustee for application to the ~~Frist~~First Priority Trust Beneficial Interests until paid in full, and then shall be used to make payments to the Holders of the Second Priority Trust Beneficial Interests. Upon termination of the Liquidating Trust, if any of the 2005 Revenue Bonds Diminution Claim remains unpaid, any balance in the Liquidating Trust Administration Account shall be paid to the Master Trustee on account of the ~~Frist~~First Priority Trust Beneficial Interests until the 2005 Revenue Bonds Diminution Claim is paid in full, and any remaining balance in the Liquidating Trust Administration Account shall thereafter be paid to the Holders of the Second Priority Trust Beneficial Interests.

7.9 ***Liquidating Trust Reserves.*** The Liquidating Trustee shall have the authority to establish and maintain the Liquidating Trust Reserves, as follows:

(a) Disputed Unclassified Claims and Disputed Class 1A Claims Reserves.

(i) ***Establishment.*** On the Effective Date, the Liquidating Trustee shall set aside Cash sufficient in the aggregate to fund a reserve on account of any Disputed Unclassified Claims and Disputed Class 1A Claims. Once such Disputed Unclassified Claims and Disputed Class 1A Claims, if any, are resolved and become Allowed, Cash in such reserves shall be made available, on a quarterly basis, for distribution to the holders of such newly Allowed Claims in accordance with the Plan. If all Disputed Unclassified Claims and Disputed Class 1A Claims are either Allowed and satisfied or

Disallowed, any remaining funds in such reserve, on a quarterly basis, shall be used to first fund the Trust Administration Account (if necessary) and the remainder shall be deposited into the Plan Fund.

(ii) *Funding Amount.* The Liquidating Trustee may reserve on account of any Disputed Unclassified Claims and Disputed Class 1A Claims based on the face amount of the Disputed Claim Holder's Proof of Claim (or if no Proof of Claim was filed, the amount set forth in the Debtors' Schedules with respect to such Disputed Claim or application for payment, as applicable) or request that the Bankruptcy Court estimate the amount of any Disputed Claim pursuant to § 502(c), in which event the amount so estimated shall be deemed the amount of the Disputed Claim for purposes of funding the Disputed Claims Reserves.

(b) Effective Date Professional Claim Reserves. For the Professional Claims not yet fixed and Allowed by the Bankruptcy Court prior to or on the Effective Date, the Liquidating Trustee shall establish the Effective Date Professional Claim Reserve. If all Professional Claims are Allowed and satisfied, any funds remaining in the Effective Date Professional Claim Reserve shall be used to first fund the Trust Administration Account (if necessary) and the remainder shall be deposited into the Plan Fund.

(c) Disputed Unsecured Claims Reserve. As more fully set forth below in Section 7.10(b), and solely from the Plan Fund, the Liquidating Trustee shall reserve for Disputed General Unsecured Claims until such Claims are reconciled and either Allowed or Disallowed. Amounts held in the Disputed Unsecured Claims Reserve shall be transferred into the unreserved portion of the Plan Fund for distribution to Allowed General Unsecured Claims upon determination of the General Unsecured Claim's status as Allowed or Disallowed.

(d) Administrative Claims Reserve. As more fully set forth below in Section 15.3, on the Effective Date, the Debtors shall establish the Administrative Claims Reserve. Upon satisfaction of all Allowed Administrative Claims and resolution of any disputed Administrative Claims for which amounts were included in the Administrative Claims Reserve, any funds remaining in the Administrative Claims Reserve shall be deposited into the Plan Fund.

7.10 *Plan Fund.*

(a) Establishment of the Plan Fund. On the Effective Date or as soon as practicable thereafter, subject to the prior payment of all amounts required to be paid by the Debtors on the Effective Date pursuant to this Plan, the Liquidating Trustee shall fund the Plan Fund with the Remaining Cash after funding (i) the Liquidating Trust Reserves and (ii) Liquidating Trust Administration Accounts. The proceeds of the Plan Fund shall be used to make distributions as follows: (i) first, to pay the 2005 Revenue Bonds Diminution Claim, which shall have a First Priority Trust Beneficial Interest in the Plan Fund; and (ii) second, to pay Allowed General Unsecured Claims, which shall have Second Priority Trust Beneficial Interest in the Plan Fund. As Disputed General Unsecured Claims are resolved and become Allowed, Cash in the Disputed Unsecured Claims Reserve shall be transferred into the unreserved portion of the Plan

1 Fund and made available for distribution to the Holders of such newly Allowed General
2 Unsecured Claims in an amount of their Pro Rata Share in accordance with the Plan.

3 (b) Funding Amount. After full Payment of the First Priority Trust Beneficial
4 Interests, the Liquidating Trustee may either (i) reserve on account of Disputed General Unsecured
5 Claims an amount necessary to satisfy such claims once they are Allowed, which shall be based
6 upon the estimated distribution percentage for all Allowed General Unsecured Claims (using
7 either the face value of the Proofs of Claim, or if no Proof of Claim was required to be filed, the
8 amount reflected in the Schedules), (ii) reserve an amount as estimated by agreement between the
9 Debtors or the Liquidating Trustee and the Holder of such Disputed General Unsecured Claim, or
10 (iii) in the absence of such an agreement, reserve the amount estimated by the Bankruptcy Court
11 under § 502(c).

12 (c) Restrictions on Use of Plan Fund. Funds in the Plan Fund shall be used
13 solely to make payments to the Holders of Trust Beneficial Interests from time to time as required
14 by the terms of the Plan and the Liquidating Trust Agreement, and no funds in the Plan Fund shall
15 be used for the costs of administration of the Liquidating Trust or for any other purpose, including
16 the costs of collection and liquidation of the Liquidating Trust Assets.

17 7.11 *Post-Effective Date Committee.*

18 (a) Dissolution of the Committee. On the Effective Date, the Committee shall
19 be dissolved (except with respect to any Professional compensation matters), and the members,
20 employees, agents, advisors, affiliates, and representatives (including, without limitation,
21 attorneys, financial advisors, and other professionals) of each thereof shall thereupon be released
22 from and discharged of and from all further authority, duties, responsibilities, and obligations
23 related to, arising from and in connection with or related to the Chapter 11 Cases; provided,
24 however, that obligations arising under confidentiality agreements, joint interest agreements, and
25 protective orders, if any, entered during the Chapter 11 Cases shall remain in full force and effect
26 according to their terms. The Liquidating Trust shall continue to compensate the Post-Effective
27 Date Committee's professionals, in the ordinary course of business and without the need for
28 Bankruptcy Court approval, for reasonable services provided in connection with any of the
foregoing post-Effective Date activities out of the Liquidating Trust Administration Accounts.

(b) Formation of the Post-Effective Date Committee. On the Effective Date,
the Post-Effective Date Committee shall be appointed. Other than the Master Trustee, which shall
be an ex officio and non-voting member of the Post-Effective Date Committee, the initial
members that shall serve on the Post-Effective Date Committee shall be selected by the Committee
and shall be disclosed in a Plan Supplement.

(c) Duties. The Post-Effective Date Committee shall have duties in accordance
with the Plan and the Liquidating Trust Agreement: (i) consult and coordinate with the Liquidating
Trustee as to the administration of the Liquidating Trust and the Liquidating Trust Assets,
including without limitation, consulting on the Operating Budget; and (ii) consult and coordinate
with the Liquidating Trustee as to the administration of the Post-Effective Date Debtors.

1 (d) Resignation. Any member of the Post-Effective Date Committee may
2 resign at any time upon not less than thirty (30) days' written notice to the Post-Effective Date
3 Committee with a copy of such notice to the Liquidating Trustee; provided, that, the Post-Effective
4 Date Committee may waive such notice period. Any member of the Post-Effective Date
Committee may be removed in accordance with any by-laws governing the actions of the
Post-Effective Date Committee.

5 (e) Replacement. In the event that a member of the Post-Effective Date
6 Committee resigns or is duly terminated or unable to serve as a member thereof, then a successor
7 member shall be selected by the remaining members of the Post-Effective Date Committee, in
8 consultation with Post-Effective Date Debtors; provided, however, that if no agreement on the
9 replacement member can be reached or if there are fewer than two (2) members remaining on the
Post-Effective Date Committee, the parties shall request that the Bankruptcy Court resolve such
dispute and/or appoint the replacement member(s).

10 (f) Termination of the Post-Effective Date Committee. The Post-Effective
11 Date Committee shall continue in existence until such time as either the Post-Effective Date
12 Committee deems it appropriate by a majority vote to dissolve itself or all members of the
13 Post-Effective Date Committee resign; provided, however, that the Post-Effective Date
Committee shall automatically dissolve upon the closing of the Chapter 11 Cases in accordance
with the terms of Section 8.9.

14 **7.12 *Coordination Between Post-Effective Date Debtors and the Liquidating Trust.***
15 Notwithstanding anything herein to the contrary, in furtherance of the purposes of the Liquidating
16 Trust, at the request of the Liquidating Trustee, the Post-Effective Date Debtors (including,
17 without limitation, the Post-Effective Date Debtors' employees, agents and/or professionals) shall
18 be authorized to provide assistance and services to, or otherwise act on behalf of, the Liquidating
19 Trustee in the performance of the Liquidating Trustee's duties under the Plan and the Liquidating
Trust Agreement. Without limitation on the foregoing, the Post-Effective Date Debtors shall be
authorized to assist in the reconciliation and administration of claims, and assist in the liquidation
and/or collection of Liquidating Trust Assets (including, without limitation, litigation claims).
The Liquidating Trustee shall oversee all such services provided on behalf of the Liquidating
Trustee.

20 **7.13 *Destruction and Abandonment of Books and Records.*** Subject to the terms of the
21 Records Retention Order with respect to the records covered thereby, on or after the Effective
22 Date, pursuant to § 554(a), the Liquidating Trustee is each authorized, from time to time, without
23 further application to the Bankruptcy Court or notice to any party, to abandon or otherwise destroy
24 documents and records (whether in electronic or paper format) that he or she determine, in his/her
25 reasonable business judgment, are no longer necessary to the administration of either the Chapter
26 11 Cases or the Plan, notwithstanding any federal, state, or local law or requirement requiring the
27 retention of the applicable documents or records; provided, that, 60 days prior to any abandonment
or destruction, the Liquidating Trustee will give notice to any Insurer requesting notice prior to the
Confirmation Date and a general description of the documents to be abandoned or destroyed, and
the Insurer shall have 30 days thereafter to request, at its expense, copies of the documents relevant
to the defense or indemnity claims covered by that Insurer. The Insurer and the Liquidating
Trustee shall cooperate in limiting the request to document relevant to defense or indemnity of

claims covered by that Insurer. The Liquidating Trustee shall comply with and shall not modify the Records Retention Order without (i) the prior consent of the Post-Effective Date Committee or (ii) upon motion to the Bankruptcy Court with notice and an opportunity to be heard.

7.14 ***Preservation of Insurance.*** Nothing in this Plan shall diminish, impair or otherwise affect distributions from the proceeds or the enforceability of any insurance policies that may cover (a) Claims by any Debtor, or (b) Claims against any Debtor or covered Persons thereunder.

7.15 ***Mutuality preserved.*** Unless specifically agreed in writing by the Debtors or the Liquidating Trustee, as applicable, nothing in the Plan constitutes a waiver of the mutuality requirement for setoff under § 553 and each Debtor shall be treated independently for mutuality and setoff purposes.

SECTION 8. DISTRIBUTIONS

8.1 ***Party Responsible for Making Distributions.*** Subject to the prior payment of the amounts required to be paid by the Debtors in Cash on the Effective Date pursuant to this Plan, the Liquidating Trustee shall be charged with making distributions under the Plan with respect to all Allowed Claims as set forth herein.

8.2 ***Appointment of Disbursing Agent.*** A Disbursing Agent may be identified in the Disclosure Statement or appointed pursuant to the Confirmation Order.

8.3 Timing of Distributions.

(a) Distributions on Account of All Claims Other Than the 2005 Revenue Bonds Diminution Claim and the General Unsecured Claims. Subject to Section 8.1 of this Plan, the Liquidating Trust shall make all payments and distributions required to be made under the Plan on account of Allowed Claims, which may be made by the Liquidating Trustee, or by the Disbursing Agent, if a Disbursing Agent has been appointed under the Plan. Unless otherwise provided herein, all distributions on account of Allowed Claims, other than the 2005 Revenue Bonds Diminution Claim and the General Unsecured Claims, shall be made as soon as practicable on or after the Effective Date. In each case, such payments or distributions shall be made no later than the later of (i) ten (10) days after the Effective Date, or (ii) the date on which the Liquidating Trustee determines that the Liquidating Trust holds sufficient Cash; provided, however, that for any employee continuing to provide services to the Liquidating Trustee, solely with respect to any Allowed Unclassified Claims for paid time off and severance, the “Effective Date” for purposes of making such distributions shall be deemed to mean each individual employee’s last date of employment with the Liquidating Trustee.

(b) Distributions on Account of the 2005 Revenue Bonds Diminution Claim and the General Unsecured Claims. Distributions on account of Allowed Claims in Class 4 and Class 8 shall be made exclusively on account of Trust Beneficial Interests at least quarterly, provided, however, that distributions need not be made to the extent there is no Cash in the Plan Fund to distribute.

1 8.4 ***Withholding of Distributions.*** Other than amounts paid to the Indenture Trustees,
2 all distributions under the Plan and all related agreements shall be subject to any applicable
3 withholding and reporting requirements. In addition to any other withholding authorized
4 hereunder, in the case of a Cash distribution that is subject to withholding, the Liquidating Trustee
5 may withhold from amounts distributable on account of Allowed Claims any and all amounts
6 determined in the Liquidating Trustee's sole discretion to be required by any law, regulation, rule,
7 ruling, directive or other governmental requirement. In the case of a non-Cash distribution that is
8 subject to withholding, the distributing party may withhold an appropriate portion of such
9 distributed property and sell such withheld property to generate Cash necessary to pay over the
10 withholding tax. Holders of Allowed Claims shall, as a condition to receiving distributions,
11 provide such information and take such steps as the Liquidating Trustee may reasonably require to
12 enable it to comply with the withholding and reporting requirements and to obtain certifications
13 and information as may be necessary or appropriate to satisfy the provisions of any tax law.
14 Notwithstanding the foregoing, each holder of an Allowed Claim that receives a distribution under
15 the Plan shall have the sole and exclusive responsibility for any taxes imposed by any
16 Governmental Unit, including income, withholding, and other taxes, on account of such
17 distribution.

18 8.5 ***Delivery of Distributions and Undeliverable Distributions.*** Other than
19 distributions made to the Indenture Trustees, which shall be by wire transfer in accordance with
20 instructions provided to the Liquidating Trustee, subject to Bankruptcy Rule 9010, all distributions
21 to any holder of an Allowed Claim shall be made at the address of such holder as set forth on either
22 the Schedules or the books and records of the Debtors, unless the Liquidating Trustee has
23 otherwise been notified by the holder in writing of a change of address, including, without
24 limitation, by the filing of a Proof of Claim by such holder that contains an address for such holder
25 different from the address reflected on either the Schedules or the books and records. In the event
26 that any distribution to any holder is returned as undeliverable, no further distributions to such
27 holder shall be made unless and until the Liquidating Trustee is notified of such holder's
28 then-current address, at which time all missed distributions shall be made to such holder, without
interest. At the option of the Liquidating Trustee, any Cash payment to be made hereunder may be
made by a check or wire transfer or as otherwise required or provided in applicable agreements.
Checks issued by the Liquidating Trustee in respect of Allowed Claims shall be null and void if not
negotiated within ninety (90) days after the date of issuance thereof. All demands for
undeliverable distributions (including requests for re-issuance of any voided check) shall be made
to the Liquidating Trustee on or before sixty (60) days after the expiration of the ninety (90) day
period after the date such undeliverable distribution was initially made or the check was originally
issued, as applicable. Thereafter, the amount represented by such undeliverable distribution
(including a voided check) shall be deemed forfeited, and any Claim in respect of such
undeliverable distribution (including a voided check) shall be Disallowed, discharged and forever
barred from asserting any such Claim against each Released Party, the Post-Effective Date
Debtors, the Liquidating Trustee, the Post-Effective Date Committee, and the Liquidating Trust.
Any distributions that are forfeited or otherwise cancelled shall be made available for
re-distribution to other Trust Beneficiaries (other than those whose distributions are deemed
undeliverable hereunder) in accordance with the Plan, and shall not be subject to the unclaimed
property or escheat laws of any Governmental Unit.

1 8.6 **Setoffs.** For purposes of determining the Allowed amount of a Claim on which
2 distribution shall be made, the Liquidating Trustee may, but shall not be required to, setoff against
3 any respective Claim administered by it, any claims of any nature whatsoever that the Debtors may
4 have against the holder of such Claim, but neither the failure to do so nor the allowance of any
5 Claim hereunder shall constitute a waiver or release by the Liquidating Trustee of any such setoff
6 claim(s); provided, however, that the Secured [2017 Revenue Notes Claims](#), the Secured [2015](#)
[Revenue Notes Claims](#), the Secured [2005 Revenue Bond Claims](#), the Secured [MOB I Financing](#)
[Claims](#), and the Secured [MOB II Financing Claims](#) shall be deemed to be ~~an~~ Allowed
~~Claim~~ Claims and shall not be subject to any setoff.

7 8.7 **De Minimis Distributions.** No distribution is required to be made to a Holder of an
8 Allowed Claim if the amount of Cash to be distributed on any distribution date under the Plan on
9 account of such Claim is \$50 or less. Any Holder of an Allowed Claim on account of which the
10 amount of Cash to be distributed is \$50 or less will have its Claim for such distribution discharged
11 and will be forever barred from asserting any such Claim against each Released Party, the
12 Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, and the
13 Liquidating Trust. Any Cash not distributed pursuant to this Section will, in the Liquidating
14 Trustee's discretion, be included in the Liquidating Trust Reserves and/or the Plan Fund, free of
15 any restrictions thereon, and will be distributed in accordance with the Plan.

16 8.8 **Allocation of Plan Distribution Between Principal and Interest.** All distributions
17 by the Liquidating Trustee with respect to any Allowed Claim, with the exception of the Secured
18 2005 Revenue Bond Claim, shall be allocated first to the principal amount of such Allowed Claim,
19 as determined for federal income tax purposes, and thereafter, to the remaining portion of such
20 Allowed Claim (including the interest portion of the Allowed Claim), if any.

21 8.9 **Entry of Final Decree in Chapter 11 Cases.** Once all the Disputed Claims have
22 become Allowed Claims or have been disallowed by Final Order, and all distributions in respect of
23 Allowed Claims have been made in accordance with this Plan, or at such earlier time as the
24 Liquidating Trustee deems appropriate, the Liquidating Trustee (i) shall seek authority from the
25 Bankruptcy Court for entry of final decrees closing the Chapter 11 Cases in accordance with the
26 Bankruptcy Code and the Bankruptcy Rules and (ii) shall be authorized under the Plan to take any
27 necessary corporate action with respect to the Debtors' continued existence without the necessity
28 for approvals or notices under any applicable state or other law, including under the Nonprofit
Laws. Notwithstanding the foregoing, actions with respect to the Post-Effective Date Debtors
shall be taken by the Liquidating Trustee. The entry of final decrees closing these Chapter 11
Cases shall not affect the Nonprofit Status of the Post-Effective Date Debtors to the extent they
have not dissolved in accordance with the Plan.

23 SECTION 9. TRUST BENEFICIARIES

24 9.1 **Identification of Trust Beneficiaries.** Each of the Trust Beneficiaries shall be
25 recorded and set forth in a schedule maintained by the Liquidating Trustee expressly for such
26 purpose based upon its Allowed Claim in Class 4 or Class 8.

27 9.2 **Beneficial Interests Only.** The ownership of Trust Beneficial Interests shall not
28 entitle any Trust Beneficiary to any title in or to the Liquidating Trust Assets or to any right to call

1 for a partition or division of such Liquidating Trust Assets or to require an accounting, except as
2 may be specifically provided herein.

3 9.3 ***Ownership of Beneficial Interests Hereunder.*** Subject to the requirements and
4 limitations of this Plan, including the establishment of the Liquidating Trust Reserves and
5 Liquidating Trust Administration Accounts: (i) the Holder of the First Priority Trust Beneficial
6 Interest shall have an undivided first priority interest in the Liquidating Trust equal to the amount
7 of the 2005 Revenue Bonds Diminution Claim as of the Effective Date, provided however that the
8 amount of such First Priority Trust Beneficial Interest shall be limited, on any given measurement
9 date, to the lesser of (a) the value of the Plan Fund or (b) the unpaid balance of the 2005 Revenue
10 Bonds Diminution Claim, including accrued but unpaid interest thereon; and (ii) each Holder of a
11 Second Priority Trust Beneficial Interest shall own an undivided interest in the Liquidating Trust
12 equal in proportion to such Trust Beneficiary's Pro Rata Share of Allowed Claims in Class 8.

9 9.4 ***Evidence of Beneficial Interests.*** Ownership of a Trust Beneficial Interest (a) shall
10 be noted in the books and records of the Liquidating Trust and (b) shall not be evidenced by any
11 certificate, note, or receipt or in any other form or manner whatsoever, except as maintained on the
12 books and records of the Liquidating Trust by the Liquidating Trustee, including the Schedule.

12 9.5 ***Conflicting Claims.*** Except as otherwise provided in the Liquidating Trust
13 Agreement, if any conflicting claims or demands are made or asserted with respect to a beneficial
14 interest, the Liquidating Trustee shall be entitled, at its sole election, to refuse to comply with any
15 such conflicting claims or demands. In so refusing, the Liquidating Trustee may elect to make no
16 payment or distribution with respect to the beneficial interest represented by the claims or
17 demands involved, or any part thereof, and the Liquidating Trustee shall refer such conflicting
18 claims or demands to the Bankruptcy Court, which shall have exclusive jurisdiction over
19 resolution of such conflicting claims or demands. In so doing, the Liquidating Trustee shall not be
20 or become liable to any party for his/her refusal to comply with any of such conflicting claims or
21 demands. The Liquidating Trustee shall be entitled to refuse to act until either (a) the rights of the
22 adverse claimants have been adjudicated by a Final Order or (b) all differences have been resolved
23 by a written agreement among all of such parties and the Liquidating Trustee, which agreement
24 shall include a complete release of the Liquidating Trust and the Liquidating Trustee (the
25 occurrence of either (a) or (b) being referred to as a "Dispute Resolution" in this Section 9). Until
26 a Dispute Resolution is reached with respect to such conflicting claims or demands, the
27 Liquidating Trustee shall hold in a segregated interest-bearing account with a United States
28 financial institution any payments or distributions from the Liquidating Trust to be made with
respect to the Beneficial Interest at issue. Promptly after a Dispute Resolution is reached, the
Liquidating Trustee shall transfer the payments and distributions, if any, held in the segregated
account, together with any interest and income generated thereon, in accordance with the terms of
such Dispute Resolution.

24 9.6 ***Limitation on Transferability.*** As set forth in more detail in the
25 Liquidating Trust Agreement, the Trust Beneficial Interests may not be transferred, sold, assigned,
26 hypothecated, or pledged, except as they may be assigned or transferred by will, intestate
27 succession, or operation of law.

SECTION 10. PROCEDURES FOR TREATING AND RESOLVING DISPUTED CLAIMS

10.1 **Objection to Claims.** Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, and except as otherwise expressly provided herein, the Liquidating Trustee, in consultation with the Post-Effective Date Committee, shall have the exclusive right to file, prosecute, resolve and otherwise deal with objections to Claims other than Allowed Claims pursuant to this Plan or a Final Order. The Liquidating Trustee shall serve a copy of each Claim objection upon the holder of the Claim to which the objection is made. Claims objections with respect to all Claims shall be made as soon as reasonably practical but in no event later than the Claims Objection Deadline. If the Liquidating Trustee wishes to extend the Claims Objection Deadline, it may do so pursuant to a motion, to be filed with the Bankruptcy Court, on notice to the Post-Effective Date Committee, which may be approved without a hearing.

10.2 **Disallowed Claims.** The following Claims shall be automatically Disallowed and expunged, without the need for filing any objections thereto, and shall not be entitled to any distributions under the Plan: (a) Claims for which no Proof of Claim was filed by the applicable Bar Date even though such Claims were listed on the Schedules as disputed, contingent, or unliquidated; and (b) Claims covered by § 502(d) to the extent that the holder of such Claim has not been paid the amount or turned over the property for which such holder is liable under §§ 522(i), 542, 543, 550, or 553, in accordance with § 502(d).

10.3 **No Distribution Pending Allowance.** Notwithstanding any other provision of this Plan, if any portion of a Claim is Disputed, no payment or distribution provided hereunder shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

10.4 **Distributions After Allowance.** Any Claim (or portion thereof) that is Disputed and then subsequently Allowed, shall be an Allowed Claim, not a Disputed Claim, in such amount and to the extent it is subsequently Allowed. Except as otherwise provided herein, if, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Liquidating Trustee shall distribute to the Holder of such Allowed Claim, from the applicable fund or reserve in accordance with Sections 7.9, 7.10, and 8.3, the amount such holder would have received had its Claim been Allowed on the Effective Date as determined by distributions actually made to other holders of Allowed Claims.

10.5 **Disputed Claims.**

(a) Resolution of the Disputed Claims.

(i) From and after the Effective Date, the ~~Liquidation~~Liquidating Trust shall have the exclusive authority to compromise, resolve, and deem Allowed any Disputed Claim without the need to obtain approval from the Bankruptcy Court, and any agreement entered into by the ~~Liquidation~~Liquidating Trust with respect to the Allowance of any Claim shall be conclusive evidence and a final determination of the Allowance of such Claim, except as set forth below in (ii) of this Section 10.5(a);

(ii) The Liquidating Trustee shall notify the Post-Effective Date Committee prior to settling, compromising, or allowing any Disputed Claim in an liquidated amount in excess of \$250,000 for a General Unsecured Claim and \$100,000 for an Unclassified Claim, Secured Claim, or Priority Non-Tax Claim. The Post-Effective Date Committee shall have three (3) Business Days after receipt of such notice to review the proposed settlement or compromise of such Claim. If such objection is made, the Liquidating Trustee shall not move forward with the matter absent Court approval after at least ten (10) Business Days' notice and opportunity to object to the Post-Effective Date Committee; and

(iii) If the Liquidating Trustee and the holder of a Disputed Claim are unable to reach settlement of the Disputed Claim, such Disputed Claim shall be submitted to the Bankruptcy Court for resolution. If it is determined that the Bankruptcy Court does not have jurisdiction to resolve any Disputed Claim, then the Disputed Claim shall be submitted to the District Court for resolution.

(b) Estimation of Disputed Claims. The Liquidating Trustee may at any time request that the Bankruptcy Court estimate any Disputed Claim pursuant to § 502(c) regardless of whether the Debtors or the Liquidating Trustee previously objected to such Claim, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Liquidating Trustee, as applicable, may pursue supplementary proceedings to object to the allowance of such Claim. On and after the Effective Date, Claims that have been estimated may be compromised, settled, withdrawn, or otherwise resolved, without further order of the Bankruptcy Court.

10.6 **Cumulative Effect.** All the objection, estimation, and resolution procedures set forth in this Section are intended to be cumulative (where possible) and not exclusive of one another.

SECTION 11. EXECUTORY AGREEMENTS

11.1 **General Treatment.** On the Effective Date, all Executory Agreements to which any Debtor is a party shall be deemed rejected as of the Effective Date, except for those Executory Agreements that (a) have been assumed or rejected pursuant to a Final Order of the Bankruptcy Court (including pursuant to any Sale Order), (b) are the subject of a separate motion to assume, assume and assign, or reject filed under § 365 on or before the Effective Date, or (c) are specifically designated as a contract or lease to be assumed on the Schedule of Assumed Contracts and no timely objection to the proposed assumption has been filed, provided, however, that the Debtors reserve the right to amend the Plan Supplement at any time on or before thirty (30) shall, no later than five (5) business days after the Effective Date to modify the Schedule of Assumed Contracts to include or delete any Executory Agreements prior to the Confirmation Hearing,

1 provide Cigna (as that term is defined in Docket No. 4927) with written notice of its irrevocable
2 decision as to whether or not the Debtors propose to assume or reject each of the Cigna Contracts
3 (as that term is defined in Docket No. 4927) as part of the Plan. If the party to an Executory
4 Agreement listed to be assumed in the Schedule of Assumed Contracts wishes to object to the
proposed assumption (including with respect to the cure amounts), it shall do so within thirty (30)
days from the service of the Schedule of Assumed Contracts.

5 11.2 ***Bar Date for Rejection Damages.*** Claims arising out of the rejection of an
6 Executory Agreement pursuant to the Plan must be filed with the Bankruptcy Court (or as
7 otherwise provided for in the Debtors' notice of rejection) no later than thirty (30) days after the
Effective Date. Any Claims not filed within such time period will be forever barred from assertion
against the Debtors and/or their property and/or their Estates.

8 11.3 ***Insurance Policies.*** For the avoidance of doubt, the Debtors' rights with respect to
9 all Insurance Policies under which Debtors may be an insured beneficiary or assignee (including
10 all Insurance Policies that may have expired prior to the Petition Date, all Insurance Policies in
11 existence on the Petition Date, all Insurance Policies entered into by the Debtors after the Petition
12 Date, and all Insurance Policies under which the Debtors hold rights to make, amend, prosecute,
and benefit from claims) shall be transferred to the Liquidating Trust (including, without
13 limitation, for the Liquidating Trustee to pursue and prosecute any Causes of Action) from the
Effective Date until its dissolution, unless any such Insurance Policy is otherwise cancelled by the
Liquidating Trustee in its discretion. Notwithstanding any provision providing for the rejection of
14 Executory Agreements, any Insurance Policy that is deemed to be an Executory Agreements shall
neither be rejected nor assumed by operation of this Plan and shall be the subject of a specific
15 motion by the Liquidating Trust, which shall retain the right to assume or reject any such
Executory Agreements pursuant to and subject to the provisions of § 365 following the Effective
16 Date, provided, that, the Liquidating Trustee may not reject (a) any extended reporting period (tail)
coverage purchased by the Debtors and (b) any Insurance Policies assumed by the Debtors
17 pursuant to an order of the Bankruptcy Court.

18 The Confirmation Order shall constitute a determination that no default by the Debtors
19 exists with respect to any of the Insurance Policies requiring a cure payment and that nothing in a
Sale Order, any underlying agreements or this Plan shall be construed or applied to modify, impair,
20 or otherwise affect the enforceability of the Insurance Policies or any coverage thereunder with
regard to any Claims or Causes of Action. Notwithstanding any other provision of this Section,
21 Old Republic Insurance Company is entitled to all accommodations that it requested in connection
with renewal of the Debtors' workers' compensation policy as approved by the Bankruptcy Court
22 [Docket No. 2803].

23 Notwithstanding anything to the contrary in the Confirmation Order or the Plan, nothing in
24 the Confirmation Order or the Plan (including any other provision that purports to be preemptory
or supervening), shall in any way operate to, or have the effect of, impairing the insurers' legal,
25 equitable or contractual rights, if any, in respect of any Claims (as defined by § 101(5)), and the
rights of Insurers shall be determined under the Insurance Policies, and under applicable
26 non-bankruptcy law; provided that any Claim by an Insurer against a Debtor or the Liquidating
Trust shall also be determined under applicable bankruptcy law, and Plan and Confirmation Order
27 provisions.

1 Nothing in the Plan or in the Confirmation Order shall preclude any Person from asserting
2 in any proceeding any and all Claims, defenses, rights or causes of action that it has or may have
3 under or in connection with any Insurance Policy, and nothing in the Plan or the Confirmation
4 Order shall be deemed to waive any claims, defenses, rights or causes of action that any Person has
5 or may have under the provisions, terms, conditions, defenses and/or exclusions contained in the
subject Insurance Policies; provided that any Claims by an Insurer against a Debtor or the
Liquidating Trust shall also be determined under applicable bankruptcy law, and Plan and
Confirmation Order provisions.

6 **SECTION 12. CONDITIONS PRECEDENT TO EFFECTIVE DATE**

7 12.1 ***Conditions Precedent to Confirmation of Plan.*** The confirmation of the Plan shall
8 be conditioned upon the Bankruptcy Court entering the Confirmation Order in form and substance
satisfactory to the Plan Proponents.

9 12.2 ***Conditions to Effective Date.*** The following are conditions precedent to the
10 Effective Date:

11 (a) The Confirmation Order, including, without limitation, the approval of the
12 Plan Settlement pursuant to Bankruptcy Rule 9019 and § 1123(b)(3)(A), shall have been entered
13 by this Court in form and substance acceptable to the Plan Proponents, which Confirmation Order
shall not have been terminated, suspended, vacated or stayed, and shall not have been amended
except with the consent of the Plan Proponents;

14 (b) The SFMC Sale shall have closed;

15 (c) The Seton Sale shall have closed;

16 (d) The Debtors have sufficient Cash to satisfy the Debtors' obligations under
17 the Plan to pay or reserve for all Classes of Claims entitled to a Cash payment on, or as of, the
18 Effective Date;

19 (e) The Debtors have sufficient Cash to fund the Liquidating Trust Reserves;
20 and

21 (f) All documents, instruments and agreements provided for under or
22 necessary to implement this Plan (including without limitation, the Interim Agreements, the
Transition Services Agreements, the Plan Settlement, and the Liquidating Trust Agreement) shall
23 have been executed and delivered by the parties thereto, unless such execution or delivery shall
have been waived by the parties benefited thereby.

24 12.3 ***Waiver of Conditions.*** The Plan Proponents may waive the conditions to
25 effectiveness of this Plan, set forth in Section 12.2 hereof, except the condition of paying the
Secured Claims as set forth herein, without leave of the Bankruptcy Court and without any formal
26 action other than proceeding with confirmation of this Plan and filing a notice of confirmation with
the Bankruptcy Court. To the extent that the Debtors believe that they are unable to comply with
27 the conditions to the effectiveness of this Plan, set forth in Section 12.2 hereof, the Plan

Proponents reserve the right to amend the Plan at such time (in accordance with the terms hereof) to address such inability.

SECTION 13. EFFECT OF CONFIRMATION

13.1 ***Vesting of Assets.*** Except as provided herein or in the Confirmation Order, upon the Effective Date, pursuant to § 1141(b) and (c), (a) the Liquidating Trust Assets shall vest in the Liquidating Trust and (b) the Operating Assets shall vest in the Post-Effective Date Debtors, in each case free and clear of all Claims, liens, encumbrances, charges and other interests, subject to the rights and obligations of the parties under this Plan and the Liquidating Trust.

13.2 ***No Discharge.*** Pursuant to § 1141(d), the Debtors will not receive a discharge under this Plan.

13.3 ***Settlement of Causes of Action Relating to Claims.*** Unless otherwise authorized by another order of the Bankruptcy Court, pursuant to § 1123(b)(3) and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Causes of Actions relating to the rights that a holder of a Claim may have against the Debtors with respect to any Allowed Claim or any distribution to be made pursuant to the Plan on account of any Allowed Claim. Unless otherwise authorized, the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such Causes of Action and the Bankruptcy Court's finding that all such Causes of Action are in the best interests of the Debtors, their Estates, their respective property and Claim holders and are fair, equitable and reasonable.

13.4 ***Extension of Existing Injunctions and Stays.*** Unless otherwise provided herein, all injunctions or stays arising under §§ 105 or 362, any order entered during the Chapter 11 Cases under §§ 105 or 362 or otherwise, and in existence on the Effective Date, shall remain in full force and effect until the closing of the Chapter 11 Cases.

13.5 ***Releases.***

(a) ***Releases Of Debtors.*** As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each Holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Debtors arising from or related to the Debtors' pre- and/or post-petition actions, omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(b) ***Settlement Releases.*** Pursuant to § 1123(b)(3)(A) and the Plan Settlement, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, to the maximum extent permitted by law, each Holder of any Claim shall be deemed to forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties arising from or related to the Settlement Released Parties' pre- and/or post-petition actions,

omissions or liabilities, transaction, occurrence, or other activity of any nature except for as provided in this Plan or the Confirmation Order.

(c) Limitation Of Claims Against the Liquidating Trust. As of the Effective Date, except as provided in this Plan or the Confirmation Order, all Persons shall be precluded from asserting against the Liquidating Trust any other or further Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities whatsoever, relating to the Debtors or any Interest in the Debtors based upon any acts, omissions or liabilities, transaction, occurrence, or other activity of any nature that occurred prior to the Effective Date.

(d) Debtors' Releases. Pursuant to § 1123(b), and except as otherwise specifically provided in this Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious liquidation of the Debtors and the consummation of the transactions contemplated by this Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors and their Estates from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen, or unforeseen, existing or herein after arising in law, equity, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or other Person, based on or relating to, or in any manner arising from, in whole or in part, the operation of the Debtors prior to or during the Chapter 11 Cases, the transactions or events giving rise to any Claim that is treated in this Plan, the business or contractual arrangements between the Debtors and any Released Party, the restructuring of Claims before or during the Chapter 11 Cases, the marketing and the sale of Assets of the Debtors, the negotiation, formulation, or preparation of this Plan, the Disclosure Statement, or any related agreements, instruments, or other documents, other than a Claim against a Released Party arising out of the gross negligence or willful misconduct of any such person or entity. Claims against any Released Party that are released pursuant to this Section 13.5(d) shall be deemed waived and relinquished by this Plan for purposes of Section 13.9.

(e) **WAIVER OF LIMITATIONS ON RELEASES. THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS/HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTIONS 13.5 (a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.**

13.6 Injunctions.

(a) General Injunction. Except as otherwise expressly provided herein, all Persons that have held, currently hold or may hold a Claim against the Debtors are permanently enjoined on and after the Effective Date from taking any action in furtherance of such Claim or any other Cause of Action released and discharged under the Plan, including, without limitation, the

1 following actions against any Released Party: (a) commencing, conducting or continuing in any
2 manner, directly or indirectly, any action or other proceeding with respect to a Claim; (b)
3 enforcing, levying, attaching, collecting or otherwise recovering in any manner or by any means,
4 whether directly or indirectly, any judgment, award, decree or order with respect to a Claim; (c)
5 creating, perfecting or enforcing in any manner, directly or indirectly, any lien or encumbrance of
6 any kind with respect to a Claim; (d) asserting any setoff, right of subrogation or recoupment of
7 any kind, directly or indirectly, against any debt, liability or obligation due to the Debtors, the
8 Post-Effective Date Debtors or the Liquidating Trust with respect to a Claim; or (e) commencing,
9 conducting or continuing any proceeding that does not conform to or comply with or is
10 contradictory to the provisions of this Plan; provided, however, that nothing in this injunction shall
11 (i) limit the Holder of an Insured Claim from receiving the treatment set forth in Class 9; or (ii)
preclude the Holders of Claims against the Debtors from enforcing any obligations of the Debtors,
the Post-Effective Date Debtors, the Liquidating Trust, or the Liquidating Trustee under this Plan
and the contracts, instruments, releases and other agreements delivered in connection herewith,
including, without limitation, the Confirmation Order, or any other order of the Bankruptcy Court
in the Chapter 11 Cases. By accepting a distribution made pursuant to this Plan, each Holder of an
Allowed Claim shall be deemed to have specifically consented to the injunctions set forth in this
Section.

12 (b) **Other Injunctions.** *The Post-Effective Date Debtors, the Liquidating*
13 *Trustee, the Post-Effective Date Committee, the Post-Effective Date Board of Directors, or the*
14 *Liquidating Trust and their respective members, directors, officers, agents, attorneys, advisors*
15 *or employees shall not be liable for actions taken or omitted in its or their capacity as, or on*
16 *behalf of, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the*
17 *Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust (as*
18 *applicable), except those acts found by Final Order to arise out of its or their willful misconduct,*
19 *gross negligence, fraud, and/or criminal conduct, and each shall be entitled to indemnification*
20 *and reimbursement for fees and expenses in defending any and all of its or their actions or*
21 *inactions in its or their capacity as, or on behalf of the Post-Effective Date Board of Directors,*
22 *the Post-Effective Date Debtors, the Liquidating Trustee, the Post-Effective Date Committee, or*
23 *the Liquidating Trust (as applicable), except for any actions or inactions found by Final Order*
to involve willful misconduct, gross negligence, fraud, and/or criminal conduct. Any
indemnification claim of the Post-Effective Date Debtors, the Post-Effective Date Board of
Directors, the Liquidating Trustee, the Post-Effective Date Committee and the other parties
entitled to indemnification under this subsection shall be satisfied from either (i) the
Liquidating Trust Assets (with respect to all claims, other than those claims related to the
Operating Assets), or (ii) the Operating Assets (with respect to all claims related to the
Operating Assets). The parties subject to this Section shall be entitled to rely, in good faith, on
the advice of retained professionals, if any.

24 13.7 **Exculpation.** To the maximum extent permitted by applicable law, each Released
25 Party shall not have or incur any liability for any act or omission in connection with, related to, or
26 arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11
27 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents
28 (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the
Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or
each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except

1 with respect to the actions found by Final Order to constitute willful misconduct, gross negligence,
2 fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon
3 the advice of counsel with respect to their duties and responsibilities under the Plan. Without
4 limitation of the foregoing, each such Released Party shall be released and exculpated from any
5 and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any
6 other Person, based in whole or in part upon any act or omission, transaction, agreement, event or
7 other occurrence in any way relating to the subject matter of this Section.

8 13.8 **No Recourse.** If a Claim is Allowed in an amount for which after application of the
9 payment priorities established by this Plan (including, without limitation, in Sections 2 and 4
10 hereof) there is insufficient value to provide a recovery equal to that received by other Holders of
11 Allowed Claims in the respective Class, no Claim Holder shall have recourse for any such
12 deficiency against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective
13 Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the
14 Liquidating Trust. However, except as specifically stated otherwise in this Plan, nothing in this
15 Plan shall modify any right of a Holder of a Claim under § 502(j). The obligations under this Plan
16 of the Debtors' Estates shall (i) be contractual only and shall not create any fiduciary relationship
17 and (ii) be obligations of the Debtors' Estates only and no individual acting on behalf of the
18 Debtors, the Committee, the Post-Effective Date Debtors, the Post-Effective Date Board of
19 Directors, the Liquidating Trustee, the Post-Effective Date Committee, or otherwise, shall have
20 any personal or direct liability for these obligations. Approval of the Plan by the Confirmation
21 Order shall not in any way limit the foregoing.

22 13.9 **Preservation of Causes of Action.**

23 (a) Except as provided in Section 7.1 hereof, nothing contained in this Plan
24 shall be deemed a waiver or relinquishment of any claims or Causes of Action of the Debtors that
25 are not settled with respect to Allowed Claims or specifically waived or relinquished by this Plan,
26 which shall vest in the Liquidating Trust, subject to any existing valid and perfected security
27 interest or lien in such Causes of Action. The Causes of Action preserved hereunder include,
28 without limitation, claims, rights or other causes of action:

- 29 (i) against vendors, suppliers of goods or services (including attorneys,
30 accountants, consultants or other professional service providers), utilities,
31 contract counterparties, and other parties for, including but not limited to:
32 (A) services rendered; (B) over- and under-payments, back charges,
33 duplicate payments, improper holdbacks, deposits, warranties, guarantees,
34 indemnities, setoff or recoupment; (C) failure to fully perform or to
35 condition performance on additional requirements under contracts with any
36 one or more of the Debtors; (D) wrongful or improper termination,
37 suspension of services or supply of goods, or failure to meet other
38 contractual or regulatory obligations; (E) indemnification and/or warranty
39 claims; or (F) turnover causes of action arising under §§ 542 or 543;
- 40 (ii) against landlords or lessors, including, without limitation, for
41 erroneous charges, overpayments, returns of security deposits,
42 indemnification, or for environmental claims;

(iii) arising against current or former tenants or lessees, including, without limitation, for non-payment of rent, damages, and holdover proceedings;

(iv) arising from damage to Debtors' property;

(v) relating to claims, rights, or other causes of action the Debtors may have to interplead third parties in actions commenced against any of the Debtors;

(vi) for collection of a debt owed to any of the Debtors;

(vii) against insurance carriers, reinsurance carriers, underwriters or surety bond issuers relating to coverage, indemnity, contribution, reimbursement or other matters;

(viii) relating to pending litigation, including, without limitation, litigation related to the SGM Claims and any other claims or causes of action related thereto, and the suits, administrative proceedings, executions, garnishments, and attachments listed in Attachment 4a to each of the Debtors' Statements of Financial Affairs;

(ix) arising from claims against health plans;

(x) that constitute Avoidance Actions;

(xi) arising under or relating to any and/or all asset purchase agreements and related sale documents (including, without limitation, any leases) entered into during these Chapter 11 Cases, including, but not limited to, enforcement of such agreements by the Debtors' Estates and/or breaches of any and/or all such agreements by the applicable non-Debtor parties (including, without limitation, the purchasers of the Debtors' assets under such agreements and any and all principals and/or guarantors of the obligations under or relating to such agreements);

(xii) all claims against Integrity Healthcare, LLC and BlueMountain Capital Management LLC; and

(xiii) relating to the Operating Assets.

The Liquidating Trustee, the Post-Effective Date Committee, and the Post-Effective Date Debtors shall have, retain, reserve and be entitled to assert all such claims, rights of setoff and other legal or equitable defenses that the Debtors had immediately prior to the Petition Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Debtors' legal and equitable rights respecting any claim that is not specifically waived or relinquished by this Plan may be asserted by the Liquidating Trustee and the Post-Effective Date Committee on their behalf after the Effective Date to the same extent as if the Chapter 11 Cases had not been commenced.

1 (b) On and after the Effective Date, in accordance with § 1123(b) and the terms
2 of this Plan and the Liquidating Trust Agreement, the Liquidating Trustee shall retain and have the
3 exclusive right to prosecute, abandon, settle or release any or all Causes of Action without the need
to obtain approval or further relief from the Bankruptcy Court.

4 13.10 **Termination of Responsibilities of the Patient Care Ombudsman.** On the latter of
5 the SFMC Sale Closing Date or the Seton Sale Closing Date, the duties and responsibilities of the
6 Patient Care Ombudsman shall be terminated and the Patient Care Ombudsman shall be
7 discharged from his duties as Patient Care Ombudsman and shall not be required to file any further
8 reports or perform any additional duties as Patient Care Ombudsman. No person or entity may
9 seek discovery in any form, including but not limited to by motion, subpoena, notice of deposition
10 or request or demand for production of documents, from the Patient Care Ombudsman or his
11 agents, professionals, employees, other representatives, designees or assigns (collectively, with
12 the Patient Care Ombudsman, the “**Ombudsman Parties**”) with respect to any matters arising from
13 or relating in any way to the performance of the duties of the Patient Care Ombudsman in these
14 Chapter 11 Cases, including, but not limited to, pleadings, reports or other writings filed by the
Patient Care Ombudsman in connection with these Chapter 11 Cases. Nothing herein shall in any
way limit or otherwise affect the obligations of the Patient Care Ombudsman under confidentiality
agreements, if any, between the Patient Care Ombudsman and any other person or entity or shall in
any way limit or otherwise affect the Patient Care Ombudsman’s obligation, under §§ 332(c) and
333(c)(1) or other applicable law or Bankruptcy Court Orders, to maintain patient information,
including patient records, as confidential, and no such information shall be released by the Patient
Care Ombudsman without further order of the Bankruptcy Court.

15 **SECTION 14. RETENTION OF JURISDICTION**

16 14.1 **Bankruptcy Court Jurisdiction.** Unless otherwise provided herein or in the
17 Confirmation Order, on and after the Effective Date, the Bankruptcy Court shall retain jurisdiction
18 over all matters arising in, arising under, or related to the Chapter 11 Cases. Without limiting the
foregoing, the Bankruptcy Court shall retain jurisdiction to:

19 (a) allow, disallow determine, liquidate, classify, estimate, or establish the
20 priority or secured or unsecured status of any Claim, including the resolution of any request for
21 payment of any Administrative Claim or Professional Claim and the resolution of any objections
to the allowance or priority of Claims, and the resolution of any claim objections brought by the
Debtors or by the Liquidating Trustee on behalf of the Liquidating Trust;

22 (b) resolve any matters related to the assumption, assumption and assignment,
23 or rejection of any Executory Agreement to which a Debtor(s) is a party and to hear, determine
24 and, if necessary, liquidate, any Claims arising from, or cure amounts related to, such assumption
or rejection;

25 (c) determine any motion, adversary proceeding, application, contested matter,
26 and other litigated matter pending on or commenced after the Effective Date, including, without
27 limitation, any and all Causes of Action preserved under the Plan commenced prior to, on, or after
the Effective Date;

1 (d) ensure that distributions to holders of Allowed Claims are accomplished in
2 accordance with the Plan;

3 (e) hear and determine matters relating to claims with respect to the Debtors'
4 director and officer insurance;

5 (f) enter, implement or enforce such orders as may be appropriate in the event
6 that the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

7 (g) issue injunctions, enter and implement other orders, and take such other
8 actions as may be necessary or appropriate to restrain interference by any Person with the
9 consummation, implementation or enforcement of this Plan, the Confirmation Order or any other
10 order of the Bankruptcy Court, including, without limitation, any actions relating to the Nonprofit
11 Status of the Post-Effective Date Debtors;

12 (h) resolve a dispute with respect to and/or otherwise appoint a replacement of
13 the Liquidating Trustee, or replacement members of the Post-Effective Date Committee;

14 (i) hear and determine any application to modify this Plan in accordance with §
15 1127, to remedy any defect or omission or reconcile any inconsistency in this Plan, the Disclosure
16 Statement, any contract, instrument, release, or other agreement or document created in
17 connection therewith, or any order of the Bankruptcy Court, including the Confirmation Order, in
18 such a manner as may be necessary to carry out the purposes and effects thereof;

19 (j) hear and determine all applications under §§ 330, 331, and 503(b) for
20 awards of compensation for services rendered and reimbursement of expenses incurred prior to the
21 Effective Date;

22 (k) hear and determine disputes arising in connection with the interpretation,
23 implementation, obligation or enforcement of this Plan, the Confirmation Order, any transactions
24 or payments contemplated in the Plan, or any agreement, instrument, or other document governing
25 or relating to any of the foregoing;

26 (l) take any action and issue such orders as may be necessary to construe,
27 enforce, implement, execute and consummate this Plan, including all contracts, instruments,
28 releases, and other agreements or documents created in connection therewith, or to maintain the
integrity of this Plan following consummation;

(m) determine such other matters and for such other purposes as may be
provided in the Plan and/or the Confirmation Order;

(n) hear and determine matters concerning state, local, and federal taxes in
accordance with §§ 346, 505, and 1146, including without limitation, (i) any requests for expedited
determinations under § 505(b) filed, or to be filed, with respect to tax returns for any and all
taxable periods ending after the Petition Date through, and including, the date of final distribution
under the Plan, and (ii) any other matters relating to the Nonprofit Status of the Post-Effective Date
Debtors;

(o) hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and Title 28 of the United States Code;

(p) authorize recovery of all assets of any of the Debtors and property of the applicable Debtor's Estate, wherever located;

(q) consider any and all claims against each Released Party involving or relating to the administration of the Chapter 11 Cases, any rulings, orders, or decisions in the Chapter 11 Cases or any aspects of the Debtors' Chapter 11 Cases and the events leading up to the commencement of the Chapter 11 Cases, including the decision to commence the Chapter 11 Cases, the development and implementation of the Plan, the decisions and actions taken prior to or during the Chapter 11 Cases and any asserted claims based upon or related to prepetition obligations of the Debtors for the purpose of determining whether such claims belong to the Estates or third parties. In the event it is determined that any such claims belong to third parties, then, subject to any applicable subject matter jurisdiction limitations, the Bankruptcy Court shall have exclusive jurisdiction with respect to any such litigation, subject to any determination by the Bankruptcy Court to abstain and consider whether such litigation should more appropriately proceed in another forum;

(r) hear and resolve any disputes regarding the reserves required hereunder, including without limitation, disputes regarding the amounts of such reserves or the amount, allocation and timing of any releases of such reserved funds; and

(s) enter final decrees closing the Chapter 11 Cases.

SECTION 15. MISCELLANEOUS PROVISIONS

15.1 ***Termination of All Employee, Retiree and Workers' Compensation Benefits.*** All existing employee benefits (including, without limitation, workers' compensation benefits, health care plans, disability plans, severance benefit plans, incentive plans, and life insurance plans) and retiree benefits (as such term is defined under § 1114(a)) not previously terminated by the Debtors, or assumed by the Debtors in the Schedule of Assumed Contracts, shall be terminated on or before the Effective Date.

15.2 ***Termination of Collective Bargaining Agreements.*** Prior to the Effective Date, the Debtors expect to receive approval for either the consensual or, pursuant to § 1113, the nonconsensual modification, assignment and/or termination of collective bargaining agreements.

15.3 ***Administrative Claims Bar Date.*** All Requests for Payment of an Administrative Claim must be filed with the Bankruptcy Court and served on the Debtors no later than the Administrative Claims Bar Date. Such Requests for Payment may include estimates of amounts through the Effective Date. The Administrative Claims Reserve shall be established on the Effective Date in an amount determined by the Bankruptcy Court in order to satisfy all Administrative Claims that have not been Allowed as of the Effective Date and all Allowed Administrative Claims that will be paid after the Effective Date. In the event that the Debtors, the Liquidating Trustee or the Master Trustee objects to an Administrative Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim. Notwithstanding the foregoing: (a) no Request for Payment need be filed with respect to an undisputed postpetition

obligation which was paid or is payable by the Debtors in the ordinary course of business; provided, however, that in no event shall a postpetition obligation that is contingent or disputed and subject to liquidation through pending or prospective litigation, including, but not limited to, alleged obligations arising from personal injury, property damage, products liability, consumer complaints, employment law (excluding claims arising under workers' compensation law), secondary payor liability, or any other disputed legal or equitable claim based on tort, statute, contract, equity, or common law, be considered to be an obligation which is payable in the ordinary course of business; (b) no Request for Payment need be filed with respect to a cure amount owing under an Executory Agreement if (i) the amount of the cure is fixed or proposed to be fixed by the Confirmation Order or other order of the Bankruptcy Court either pursuant to the Plan or pursuant to a motion to assume and fix the amount of Cure filed by the Debtors, and (ii) a timely objection asserting an increased amount of the cure has been filed by the non-Debtors party to the subject contract or lease; and (c) no Request for Payment need be filed with respect to fees payable pursuant to 28 U.S.C. § 1930. All Administrative Claims that become Allowed after the Effective Date shall be paid solely from the Administrative Claims Reserve, and shall not constitute a claim against the Liquidating Trust, the Liquidating Trustee, or any of the Liquidating Trust Assets. No Holder of an Administrative Claim shall have recourse for any deficiency in the payment of its Administrative Claim against any of the Released Parties, the Post-Effective Date Debtors, the Post-Effective Date Board of Directors, the Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating Trust..

15.4 Exemption from Transfer Taxes. Pursuant to § 1146(c), the assignment or surrender of any lease or sublease, or the delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with, this Plan, including any deeds, bills of sale or assignments executed in connection with any disposition of assets contemplated by this Plan, whether real or personal property, shall not be subject to any stamp, real estate transfer, mortgage recording, sales, use or other similar tax.

15.5 Amendments. The Plan Proponents reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify this Plan at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Plan Proponents may, upon order of the Bankruptcy Court, amend or modify this Plan, in accordance with § 1127(b), or remedy any defect or omission or reconcile any inconsistency in this Plan in such manner as may be necessary to carry out the purpose and intent of this Plan. A holder of an Allowed Claim that is deemed to have accepted this Plan shall be deemed to have accepted this Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such holder.

15.6 Revocation or Withdrawal of Plan. The Plan Proponents may withdraw or revoke this Plan at any time prior to the Effective Date. If the Plan Proponents revoke or withdraw this Plan prior to the Effective Date, or if the Effective Date does not occur, then this Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claim by or against the respective Debtor or any other Person or to prejudice in any manner the rights of the respective Debtor or any other Person in any further proceedings involving the respective Debtor.

1 15.7 **Severability.** In the event that the Bankruptcy Court determines, prior to the
2 Effective Date, that any provision of this Plan is invalid, void or unenforceable, the Bankruptcy
3 Court shall, with the Consent of the Plan Proponents, have the power to alter and interpret such
4 term or provision to make it valid or enforceable to the maximum extent practicable, consistently
5 with the original purpose of the term or provision held to be invalid, void or unenforceable, and
6 such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such
7 holding, alteration or interpretation, the remainder of the terms and provisions of this Plan shall
8 remain in full force and effect and shall in no way be affected, impaired or invalidated by such
9 holding, alteration or interpretation. The Confirmation Order shall constitute a judicial
10 determination and shall provide that each term and provision of this Plan, as it may have been
11 altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its
12 terms.

13 15.8 **Request for Expedited Determination of Taxes.** The Plan Proponents or the
14 Liquidating Trustee, as applicable, shall have the right to request an expedited determination under
15 § 505(b) with respect to tax returns filed, or to be filed, for any and all taxable periods ending after
16 the Petition Date through and including the date of final distribution under the Plan.

17 15.9 **U.S. Trustee Quarterly Fees and Post-Confirmation Status Reports.** All fees
18 payable under 28 U.S.C. § 1930(a)(6) shall be paid by each Debtor in the amounts and at the times
19 such fees may become due up to and including the Effective Date. The Liquidating Trust shall pay
20 all fees payable by each Debtor under 28 U.S.C. § 1930(a)(6) until the Chapter 11 Cases are
21 closed, dismissed or converted; provided, however, that the Sale-Leaseback Debtors shall pay all
22 fees payable under 28 U.S.C. § 1930(a)(6) in their respective Chapter 11 Cases until the expiration
23 of their respective Interim Management Agreements and Interim Leaseback Agreements. Upon
24 the Effective Date, the Liquidating Trust and the Post-Effective Date Debtors shall be relieved
25 from the duty to make the reports and summaries required under Bankruptcy Rule 2015(a).
26 Notwithstanding the foregoing, the Liquidating Trust and Post-Effective Date Debtors shall File
27 and serve the status reports required by Local Bankruptcy Rule 3020-1(b) at such times and for
28 such period as may be set forth in the Confirmation Order.

1 15.10 **Courts of Competent Jurisdiction.** If the Bankruptcy Court abstains from
2 exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter
3 arising out of this Plan, such abstention, refusal or failure of jurisdiction shall have no effect upon
4 and shall not control, prohibit or limit the exercise of jurisdiction by any other court having
5 competent jurisdiction with respect to such matter.

6 15.11 **Governing Law.** Except to the extent that the Bankruptcy Code or Bankruptcy
7 Rules are applicable, the rights, duties and obligations arising under this Plan shall be governed by,
8 and construed and enforced in accordance with, the laws of the State of California, without giving
9 effect to the principles of conflict of laws thereof.

10 15.12 **Continuing Effect of the Bankruptcy Court Orders and Settlement Stipulations.**
11 Unless otherwise set forth in the Plan or the Confirmation Order or otherwise ordered by the
12 Bankruptcy Court, the orders of the Bankruptcy Court and any other settlement stipulations
13 entered into by the Debtors (including without limitation, agreements to lift the automatic stay,
14 resolve litigation claims and limit recoveries to available insurance proceeds) shall not be

1 modified, limited or amended by the Plan and shall remain in full force and effect. To the extent of
2 any direct conflict between the terms of this Plan and any settlement agreements, the conflicting
3 provisions of such settlement agreements shall govern with respect to the treatment of Allowed
Claims as provided for therein.

4 15.13 **Time.** In computing any period of time prescribed or allowed by this Plan, unless
5 otherwise set forth herein or determined by the Bankruptcy Court, the provisions of Bankruptcy
6 Rule 9006 shall apply. Any reference to “day” or “days” shall mean calendar days, unless
otherwise specified herein.

7 15.14 **Business Day Transactions.** In the event that any payment or act under this Plan is
8 required to be made or performed on a date that is not a Business Day, then the making of such
9 payment or the performance of such act may be completed on or as soon as reasonably practicable
on the next succeeding Business Day, but shall be deemed to have been completed as of the initial
due date.

10 15.15 **Headings.** Headings are used in this Plan for convenience and reference only and
11 shall not constitute a part of this Plan for any other purpose.

12 15.16 **Exhibits.** All Exhibits and schedules to this Plan are incorporated into and are a
13 part of this Plan as if set forth in full herein.

14 15.17 **Notices.** Any notices to or requests by parties in interest under or in connection
15 with this Plan shall be in writing and served either by (i) certified mail, return receipt requested,
postage prepaid, (ii) hand delivery or (iii) reputable overnight delivery service, all charges prepaid,
and shall be deemed to have been given when received by the following parties:

16 If to the Debtors:

17 Verity Health System of California, Inc.
18 601 South Figueroa Street
Suite 4050
19 Los Angeles, California 90017
Attn: Peter C. Chadwick

20 with copies to:

21 Dentons US LLP
22 *Attorneys for the Debtors and Debtors-In-Possession*
23 601 South Figueroa Street
Suite 2500
24 Los Angeles, California 90017
(213) 623-9300
25 Attn: Samuel R. Maizel
26 Tania M. Moyron
Nicholas A. Koffroth

27 If to the Liquidating Trustee:

[]

If to the Master Trustee:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, Massachusetts 02111
(617) 542-6000
Attn: Daniel S. Bleck
Paul J. Ricotta

If to the Committee:

Milbank LLP
2029 Century Park East
33rd Floor
Los Angeles, California 90067
(424) 386-4000
Attn: Mark Shinderman

If to Verity MOB Financing LLC and
Verity MOB Financing II LLC:

Jones Day
250 Vesey Street
New York, New York 10281
~~(424) 386-4000~~ [212\) 326-3939](tel:326-3939)
Attn: Bruce Bennett
Benjamin Rosenblum
Peter Saba

15.18 ***Post-Effective Date Notices.*** Following the Effective Date, except as otherwise provided herein, notices shall only be served on the Post-Effective Date Debtors, the Liquidating Trustee, the U.S. Trustee, and those Persons who File with the Court and serve upon the Liquidating Trust a request, which includes such Person's name, contact person, address, telephone number, facsimile number, and email, that such Person receive notice of post-Effective Date matters. Persons who had previously filed with the Court requests for special notice of the proceedings and other filings in the Chapter 11 Case shall not receive notice of post-Effective Date matters unless such Persons File a new request in accordance with this Section.

15.19 ***Conflict of Terms.*** In the event of a conflict between the terms of this Plan and the Disclosure Statement, the terms of this Plan shall control.

Dated: Los Angeles, California
As of ~~June 16,~~ [July 2,](#) 2020

Document comparison by Workshare 9.5 on Thursday, July 02, 2020 3:24:35 PM

Input:	
Document 1 ID	interwovenSite://USDMS/US_Active/114691962/5
Description	#114691962v5<US_Active> - Plan of Liquidation - 2020
Document 2 ID	interwovenSite://USDMS/US_Active/114691962/6
Description	#114691962v6<US_Active> - Plan of Liquidation - 2020
Rendering set	Underline Strikethrough

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	117
Deletions	96
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	213

Exhibit C

Disclosure Statement Redline

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - LOS ANGELES DIVISION

In re

VERITY HEALTH SYSTEM OF
CALIFORNIA, INC., *et al.*,

Debtors and Debtors In Possession.

☒ Affects All Debtors

☐ Affects Verity Health System of California,
Inc.

☐ Affects O'Connor Hospital

☐ Affects Saint Louise Regional Hospital

☐ Affects St. Francis Medical Center

☐ Affects St. Vincent Medical Center

☐ Affects Seton Medical Center

☐ Affects O'Connor Hospital Foundation

☐ Affects Saint Louise Regional Hospital
Foundation

☐ Affects St. Francis Medical Center of
Lynwood Foundation

☐ Affects St. Vincent Foundation

☐ Affects St. Vincent Dialysis Center, Inc.

☐ Affects Seton Medical Center Foundation

☐ Affects Verity Business Services

☐ Affects Verity Medical Foundation

☐ Affects Verity Holdings, LLC

☐ Affects De Paul Ventures, LLC

☐ Affects De Paul Ventures - San Jose ASC,
LLC

Debtors and Debtors In Possession.

Lead Case No. 2:18-bk-20151-ER

Jointly Administered With:

CASE NO.: 2:18-bk-20162-ER

CASE NO.: 2:18-bk-20163-ER

CASE NO.: 2:18-bk-20164-ER

CASE NO.: 2:18-bk-20165-ER

CASE NO.: 2:18-bk-20167-ER

CASE NO.: 2:18-bk-20168-ER

CASE NO.: 2:18-bk-20169-ER

CASE NO.: 2:18-bk-20171-ER

CASE NO.: 2:18-bk-20172-ER

CASE NO.: 2:18-bk-20173-ER

CASE NO.: 2:18-bk-20175-ER

CASE NO.: 2:18-bk-20176-ER

CASE NO.: 2:18-bk-20178-ER

CASE NO.: 2:18-bk-20179-ER

CASE NO.: 2:18-bk-20180-ER

CASE NO.: 2:18-bk-20181-ER

Chapter 11 Cases

Hon. Judge Ernest M. Robles

DISCLOSURE STATEMENT DESCRIBING
SECOND AMENDED JOINT CHAPTER 11
PLAN OF LIQUIDATION (DATED ~~JUNE~~
~~16, JULY 2,~~ 2020) OF THE DEBTORS, THE
PREPETITION SECURED CREDITORS, AND
THE COMMITTEE

Disclosure Statement Hearing:

Date: ~~{To Be Scheduled}~~ July 2, 2020

Time: ~~{To Be Scheduled}~~ 10:00 a.m. (Pacific
Time)

Plan Confirmation Hearing:

Date: ~~{To Be Scheduled}~~ August 12, 2020

Time: ~~{To Be Scheduled}~~ 10:00 a.m. (Pacific
Time)

Place: Courtroom 1568

255 E. Temple Street

Los Angeles, CA 90012

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

SAMUEL R. MAIZEL (Bar No. 189301)
samuel.maizel@dentons.com
TANIA M. MOYRON (Bar No. 235736)
tania.moyron@dentons.com
NICHOLAS A. KOFFROTH (Bar No. 287854)
nicholas.koffroth@dentons.com
DENTONS US LLP
601 South Figueroa Street, Suite 2500
Los Angeles, California 90017-5704
Tel: (213) 623-9300 / Fax: (213) 623-9924

Attorneys for the Chapter 11 Debtors and
Debtors In Possession

NATHAN F. COCO (admitted *pro hac vice*)
ncoco@mwe.com
MEGAN M. PREUSKER (admitted *pro hac vice*)
mpreusker@mwe.com
MCDERMOTT WILL & EMERY LLP
444 West Lake Street
Chicago, Illinois 60606-0029
Tel: (312) 372-2000 / Fax: (312) 948-7700

Attorneys for U.S. Bank National Association
solely in its capacity, as the note indenture
trustee and as the collateral agent under the
note indenture relating to the 2015 Working
Capital Notes

BRUCE S. BENNETT (Bar No. 105430)
bbennett@jonesday.com
BENJAMIN ROSENBLUM (admitted *pro hac vice*)
brosenblum@jonesday.com
PETER S. SABA (admitted *pro hac vice*)
psaba@jonesday.com
JONES DAY LLP
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071-2300
Tel: (213) 489-3939 / Fax: (213) 243-2539

Attorneys for Verity MOB Financing, LLC
and Verity MOB Financing II, LLC†

PAUL J. RICOTTA (admitted *pro hac vice*)
pricotta@mintz.com
DANIEL S. BLECK (admitted *pro hac vice*)
dsbleck@mintz.com
MINTZ, LEVIN, COHN, FERRIS,
GLOVSKY AND POPEO, P.C.
One Financial Center
Boston, Massachusetts 02111
Tel: (617) 542-6000 / Fax: (617) 542-2241

Attorneys for UMB Bank, N.A., as Master
Indenture Trustee and Wells Fargo Bank,
National Association, as Indenture Trustee

CLARK T. WHITMORE (admitted *pro hac vice*)
clark.whitmore@maslon.com
JASON REED (admitted *pro hac vice*)
jason.reed@maslon.com
MASLON LLP
90 South Seventh Street
Minneapolis, Minnesota 55402-4140
Tel: (312) 372-2000 / Fax: (312) 948-7700

Attorneys for U.S. Bank National
Association solely in its capacity, as the note
indenture trustee and as the collateral agent
under the note indenture relating to the
2017 Working Capital Notes

GREGORY A. BRAY (Bar No. 115367)
gbray@milbank.com
MARK SHINDERMAN (Bar No. 136644)
mshinderman@milbank.com
JAMES C. BEHRENS (Bar No. 280365)
jbehrens@milbank.com
MILBANK LLP
2029 Century Park East
33rd Floor
Los Angeles, California 90067
Tel: (424) 386-4000 / Fax: (213) 629-5063

Attorneys for the Official Committee of
Unsecured Creditors

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

DISCLOSURE STATEMENT DESCRIBING SECOND AMENDED JOINT CHAPTER 11 PLAN (DATED ~~JUNE~~
~~16,~~ JULY 2, 2020)

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

TABLE OF CONTENTS

		<u>Page</u>
1		
2		
3	I. Introduction	1
4	A. Disclaimer	1
5	B. Purpose of this Disclosure Statement.....	3
6	C. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing	4
7	1. Time and Place of the Confirmation Hearing	4
8	2. Deadline For Voting For or Against the Plan.....	4
9	3. Deadline for Objecting to the Confirmation of the Plan	4
10	D. Identity of Person to Contact for Copies of the Plan and Related Documents.....	5
11	II. Overview of the Plan.....	5
12	III. Overview of the Debtors and the Non-Debtor Affiliates	7
13	A. The Debtors.....	7
14	B. The Non-Debtor Affiliates	9
15	C. Corporate Structure	10
16	IV. Events Leading to the Commencement of These Chapter 11 Cases	11
17	A. Overview of the Debtors' Prepetition Business Operations.....	11
18	B. The Debtors' Prepetition Capital Structure	14
19	C. The Debtors' Prepetition Unsecured Claims.....	17
20	D. The Debtors' Retirement Related Benefit Plans	17
21	E. Fiscal Crisis on the Petition Date	19
22	1. Payor Rates.....	19
23	2. Labor Rates	20
24	3. Pension Plan Obligations	20
25	4. IT Investment	20
26	5. Seismic and Energy Requirements.....	21
27	6. Insurance Obligations.....	21
28	7. Medical Equipment	22
	F. Working Capital Shortfalls.....	22
	G. The Attorney General Conditions	23
	V. Significant Events During the Chapter 11 Cases	24
	A. Material First-Day Motions and Related Adversary Proceeding Filed on the Petition Date.....	24
	1. Emergency Motion to Pay the Debtors' Prepetition Priority Wages	24

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1	2.	Emergency Motion to Provide Adequate Assurance of Payment to the Debtors' Utilities	25
2	3.	Emergency Motion for Joint Administration of these Chapter 11 Bankruptcy Cases.....	25
3	4.	Emergency Motion for Authority to Honor Prepetition Claims of Critical Vendors	25
4	5.	Emergency Motion to Maintain Cash Management Systems	25
5	6.	Emergency Motion to Maintain Insurance Programs and Related Adversary Proceeding	26
6	7.	DIP Financing/Cash Collateral.....	26
7	B.	Motion to Implement Key Employee Incentive Plan and Key Employee Retention Plan.....	30
8	C.	Motion to Reject Integrity Management Agreement	32
9	D.	Estate Professionals, the Committee, and the Patient Care Ombudsman.....	32
10	E.	Administrative Matters, Reporting and Disclosures	34
11	F.	The SCC Sale	35
12	G.	Motions Related to Verity Medical Foundation.....	37
13	H.	The SGM Sale	38
14	1.	The Asset Purchase Agreement and Bidding Procedures	38
15	2.	Transfer of the Provider Agreements	39
16	3.	The Attorney General Conditions and Related Orders	39
17	4.	The Failure to Close	41
18	5.	The SGM Litigation	42
19	a.	<i>The Appeals</i>	42
20	b.	<i>The Adversary Proceeding</i>	42
21	I.	Disposition of the Remaining Hospitals.....	43 <u>44</u>
22	1.	St. Vincent Medical Center	43 <u>44</u>
23	a.	<i>The Closure Plan</i>	43 <u>44</u>
24	b.	<i>The CNA Litigation</i>	44 <u>45</u>
25	c.	<i>The State Lease Agreement</i>	46
26	d.	<i>The Asset Sales</i>	46
27	2.	St. Francis Medical Center	47
28	3.	Seton Medical Center	48 <u>49</u>
	J.	<u>Transfer of the Provider Agreements</u>	<u>50</u>
	1.	<u>The Medi-Cal Provider Agreements and DHCS Settlement.....</u>	<u>50</u>
	2.	<u>The Medicare Provider Agreements</u>	<u>51</u>
	K.	Patient Records.....	49 <u>52</u>

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1	KL .	Old Republic Accommodations	50 <u>52</u>
2	LM .	Retirement Benefit Plans.....	50 <u>53</u>
3	MN .	Motions for Relief From the Automatic Stay and Non-Bankruptcy Proceedings.....	51 <u>53</u>
4	NO .	Motions to Approve Settlements.....	52 <u>54</u>
5	OP .	Other Stipulations.....	55 <u>58</u>
6	PQ .	Debtors' Adversary Proceedings and Appeals.....	56 <u>58</u>
7		1. Heritage Adversary Proceeding	56 <u>58</u>
8		2. Old Republic Adversary Proceeding.....	56 <u>59</u>
9		3. Xue Adversary Proceeding.....	57 <u>59</u>
10		4. LA Care Adversary Proceeding	57 <u>59</u>
11	QR .	Committee's Adversary Proceedings and Other Actions.....	57 <u>60</u>
12	RS .	Claims Bar Dates and Reconciliation.....	59 <u>61</u>
13		1. General Bar Date.....	59 <u>61</u>
14		2. Administrative Bar Date.....	59 <u>62</u>
15		3. Claims Objections	60 <u>63</u>
16	ST .	The First Plan and Disclosure Statement	61 <u>63</u>
17	VI.	Plan Summary	61 <u>63</u>
18	A.	Administrative Expense and Priority Claims	61 <u>64</u>
19		1. Administrative Claims	61 <u>64</u>
20		2. Professional Claims.....	62 <u>64</u>
21		3. Statutory Fees.....	62 <u>65</u>
22		4. Priority Tax Claims	62 <u>65</u>
23	B.	Classification of Claims	63 <u>65</u>
24		1. Classification in General	63 <u>65</u>
25		2. Grouping of Debtors for Deemed Substantive Consolidation.....	63 <u>66</u>
26		3. Summary of Classification.....	64 <u>66</u>
27		4. Special Provision Governing Unimpaired Claims	64 <u>67</u>
28		5. Elimination of Vacant Classes	64 <u>67</u>
	C.	Treatment of Claims.....	65 <u>67</u>
		1. Class 1A: Priority Non-Tax Claims	65 <u>68</u>
		a. <i>Classification</i>	65 <u>68</u>
		b. <i>Treatment</i>	65 <u>68</u>
		c. <i>Voting</i>	66 <u>68</u>

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1	2.	Class 1B: Secured PACE Tax Financing Claims	66 <u>68</u>
2	a.	<i>Classification</i>	66 <u>68</u>
3	b.	<i>Treatment</i>	66 <u>68</u>
4	c.	<i>Voting</i>	66 <u>68</u>
5	3.	Class 2: Secured 2017 Revenue Notes Claims.....	66 <u>68</u>
6	a.	<i>Classification</i>	66 <u>68</u>
7	b.	<i>Treatment</i>	66 <u>68</u>
8	c.	<i>Subordination</i>	66 <u>69</u>
9	d.	<i>Voting</i>	66 <u>69</u>
10	4.	Class 3: Secured 2015 Revenue Notes Claims.....	67 <u>69</u>
11	a.	<i>Classification</i>	67 <u>69</u>
12	b.	<i>Treatment</i>	67 <u>69</u>
13	c.	<i>Subordination</i>	67 <u>69</u>
14	d.	<i>Voting</i>	67 <u>69</u>
15	5.	Class 4: Secured 2005 Revenue Bond Claims	67 <u>70</u>
16	a.	<i>Classification</i>	67 <u>70</u>
17	b.	<i>Treatment</i>	67 <u>70</u>
18	c.	<i>Subordination</i>	68 <u>70</u>
19	d.	<i>Voting</i>	68 <u>71</u>
20	6.	Class 5: Secured MOB I Financing Claims	68 <u>71</u>
21	a.	<i>Classification</i>	68 <u>71</u>
22	b.	<i>Treatment</i>	68 <u>71</u>
23	c.	<i>Voting</i>	68 <u>71</u>
24	7.	Class 6: Secured MOB II Financing Claims	69 <u>71</u>
25	a.	<i>Classification</i>	69 <u>71</u>
26	b.	<i>Treatment</i>	69 <u>71</u>
27	c.	<i>Voting</i>	69 <u>71</u>
28	8.	Class 7: Secured Mechanics Lien Claims	69 <u>71</u>
	a.	<i>Classification</i>	69 <u>71</u>
	b.	<i>Treatment</i>	69 <u>71</u>
	c.	<i>Voting</i>	69 <u>71</u>
	9.	Class 8: General Unsecured Claims	69 <u>72</u>
	a.	<i>Classification</i>	69 <u>72</u>
	b.	<i>Treatment</i>	69 <u>72</u>

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1	c.	<i>Voting</i>	69 <u>72</u>
2	10.	Class 9: Insured Claims.....	69 <u>72</u>
3	a.	<i>Classification</i>	69 <u>72</u>
4	b.	<i>Treatment</i>	69 <u>72</u>
5	c.	<i>Voting</i>	71 <u>73</u>
6	11.	Class 10: 2016 Data Breach Claims.....	71 <u>73</u>
7	a.	<i>Classification</i>	71 <u>73</u>
8	b.	<i>Treatment</i>	71 <u>73</u>
9	c.	<i>Voting</i>	71 <u>73</u>
10	12.	Class 11: Subordinated General Unsecured Claims.....	71 <u>74</u>
11	a.	<i>Classification</i>	71 <u>74</u>
12	b.	<i>Treatment</i>	71 <u>74</u>
13	c.	<i>Voting</i>	71 <u>74</u>
14	13.	Class 12: Interests	71 <u>74</u>
15	a.	<i>Classification</i>	71 <u>74</u>
16	b.	<i>Treatment</i>	71 <u>74</u>
17	c.	<i>Voting</i>	71 <u>74</u>
18	VII.	Means of Effectuation and Implementation of the Plan.....	72 <u>74</u>
19	A.	Conditions to Effective Date.....	72 <u>74</u>
20	B.	Creditor Settlement Agreements	73 <u>75</u>
21	1.	Plan Settlement.....	73 <u>75</u>
22	2.	PBGC Settlement	75 <u>77</u>
23	3.	Other Creditor Settlement Agreements	75 <u>78</u>
24	C.	Deemed Substantive Consolidation.....	76 <u>78</u>
25	D.	Cancellation of Existing Indentures and Related Securities.....	76 <u>79</u>
26	E.	Post-Effective Date Governance of Certain Entities	78 <u>80</u>
27	1.	Post-Effective Date Board of Directors.....	78 <u>80</u>
28	2.	Post-Effective Date Committee.....	78 <u>80</u>
	3.	Liquidating Trust.....	79 <u>81</u>
	4.	Insurance Captive.....	80 <u>82</u>
	5.	Coordination Between Post-Effective Date Debtors and the Liquidating Trust	80 <u>82</u>
	6.	Dissolution of Certain Debtors on or after the Effective Date	81 <u>83</u>
	7.	Dissolution of Certain Non-Debtor Entities on the Effective Date	81 <u>83</u>

- v -

1	8.	<u>The Foundations</u>	83
2	a.	Dissolution of Sale-Leaseback Debtor Foundations	81 84
3	9. b.	Dissolution of the SCC Debtor Foundations.....	82 85
4	c.	<u>Dissolution of St. Vincent Foundation</u>	85
5	10. 9.	Dissolution of VMF	82 85
6	11. 10.	Termination of Responsibilities of the Patient Care Ombudsman	82 85
7	12. 11.	Retention and Payment of Professionals Post-Effective Date.....	83 86
8	VIII.	Distributions	8386
9	A.	Funding for the Distributions to Creditors	8386
10	B.	Distribution Mechanisms	8487
11	C.	Liquidating Trust Reserves and Plan Fund	8588
12	D.	Claims Administration	8588
13	E.	Preservation of Insurance	8689
14	F.	Executory Contracts and Unexpired Leases.....	8689
15	G.	Causes of Action Including Avoidance Actions and SGM Claims.....	8790
16	IX.	Effect of Confirmation	8992
17	A.	Discharge.....	8992
18	B.	Injunctions and Stays	8992
19	a.	<i>General Injunction</i>	8992
20	b.	<i>Other Injunctions</i>	9093
21	C.	Releases.....	9094
22	a.	<i>Release of Debtors</i>	9094
23	b.	<i>Settlement Releases</i>	9094
24	c.	<i>Limitations of Claims Against the Liquidating Trust</i>	9194
25	d.	<i>Debtors' Releases</i>	9194
26	D.	Exculpations.....	9295
27	E.	Termination of All Employee, Retiree and Workers Compensation Benefits	9296
28	F.	U.S. Trustee Quarterly Fees and Post-Confirmation Status Report	9296
	G.	Retention of Jurisdiction	9396
	X.	Tax Consequences of the Plan.....	9598
	XI.	Certain Federal Income Tax Consequences of the Plan.....	9599
	A.	Generally	9599
	B.	Certain Tax Consequences to the Debtors	97101
	1.	Generally	97101

1	2.	Gain or Loss on Sale or Exchange	98 <u>102</u>
2	3.	Cancellation of Debt Income.....	99 <u>102</u>
3	C.	Certain Tax Consequences to the U.S. Holders of Claims.....	99 <u>103</u>
4	1.	Gain or Loss	99 <u>103</u>
5	2.	Distributions in Discharge of Accrued Interest or OID	101 <u>105</u>
6	3.	Tax Treatment of the Liquidating Trust and U.S. Holders of Beneficial Interests	102 <u>106</u>
7	a.	General Tax Reporting by the Liquidating Trustee and Beneficiaries of the Liquidating Trust	103 <u>107</u>
8	b.	Tax Treatment of the Disputed Claims Reserve and Reserve for Disputed Unsecured Claims	105 <u>109</u>
9	D.	Information Reporting and Withholding.....	106 <u>110</u>
10	E.	Importance of Obtaining Professional Tax Assistance	107 <u>110</u>
11	XII.	Securities Law Discussion Related to Trust Beneficial Interests.....	107 <u>111</u>
12	XIII.	Confirmation Requirements and procedures.....	109 <u>112</u>
13	A.	Who May Vote or Object.....	109 <u>113</u>
14	B.	Who May Vote to Accept or Reject the Plan	109 <u>113</u>
15	C.	What Is an Allowed Claim or Interest.....	109 <u>113</u>
16	D.	What Is an Impaired Claim or Interest	110 <u>113</u>
17	E.	Who Is Not Entitled to Vote.....	110 <u>114</u>
18	F.	Who Can Vote in More Than One Class.....	111 <u>114</u>
19	G.	Votes Necessary to Confirm the Plan.....	111 <u>114</u>
20	H.	Votes Necessary for a Class to Accept the Plan.....	111 <u>114</u>
21	I.	Treatment of Non-Accepting Classes.....	111 <u>115</u>
22	J.	Request for Confirmation Despite Non-Acceptance by Impaired Class(es).....	111 <u>115</u>
23	K.	Liquidation Analysis	112 <u>115</u>
24	L.	Feasibility	115 <u>119</u>
25	XIV.	Risk Factors Regarding the Plan	116 <u>119</u>
26	XV.	Deemed Substantive Consolidation.....	117 <u>120</u>
27	A.	The Effect of Deemed Substantive Consolidation	118 <u>121</u>
28	B.	The Facts of the Chapter 11 Cases Satisfy Each Independent Basis for Deemed Substantive Consolidation.....	119 <u>122</u>
	1.	Creditors Dealt with the Debtors as a Single, Economic Unit	120 <u>123</u>
	a.	The Conditions Addressed the Debtors as a Single Economic Unit.....	120 <u>123</u>

1	b.	The Debtors Obtained Secured Financing as a Single Economic Unit.....	120 <u>124</u>
2	c.	The Debtors Negotiated Major Contracts and Agreements as a	
3		Single Economic Unit.	122 <u>125</u>
4	2.	The Debtors' Affairs Are So Entangled That Consolidation Will Benefit All Creditors.....	123 <u>126</u>
5	XVI.	Post-Confirmation Issues	126 <u>129</u>
6	A.	Modification of the Plan.....	126 <u>129</u>
7	B.	Post-Confirmation Status Reports.....	126 <u>130</u>
8	C.	Post-Confirmation Conversion or Dismissal.....	126 <u>130</u>
9	D.	Final Decree	127 <u>130</u>

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

I.

INTRODUCTION

Verity Health System of California, Inc. (“VHS”) and the above-referenced affiliated entities, the chapter 11 debtors and debtors in possession (collectively, the “Debtors”), each filed a voluntary petition under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.*, as amended (the “Bankruptcy Code”)¹ on August 31, 2018 (the “Petition Date”). The Debtors’ chapter 11 bankruptcy cases (the “Chapter 11 Cases”) are pending in the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the “Bankruptcy Court”) and jointly administered under *In re Verity Health System of California, Inc.*, Lead Case No. 2:18-bk-20151-ER.

This document is the disclosure statement (the “Disclosure Statement”), which describes the ~~Joint~~Second Amended Joint Chapter 11 Plan of Liquidation (Dated ~~June 16~~July 2, 2020) of the Debtors, the Prepetition Secured Creditors, and the Committee (the “Plan”).² The Plan is jointly proposed by the Debtors, the Prepetition Secured Creditors and the Committee (the “Plan Proponents”).

A. Disclaimer

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN IS INCLUDED HEREIN AND THEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND DESCRIBING TREATMENT UNDER THE PLAN. THE INFORMATION CONTAINED HEREIN AND THEREIN MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN (I) TO DETERMINE HOW TO VOTE ON

¹ All references to “§” herein are to the Bankruptcy Code, unless otherwise noted. All references to “Bankruptcy Rules” are to provisions of the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, as may be amended from time to time. All references to “Local Bankruptcy Rules” are to provisions of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Central District of California.

² Capitalized terms not otherwise defined in this Disclosure Statement have the definitions set forth in the Plan.

1 THE PLAN AND (II) TO DESCRIBE TREATMENT UNDER AND TERMS OF THE
2 PLAN. ALL CREDITORS AND PARTIES IN INTEREST ARE ADVISED AND
3 ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN
4 THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

5 **READ THIS DISCLOSURE STATEMENT CAREFULLY FOR INFORMATION**
6 **CONCERNING:**

7 1. WHO CAN VOTE FOR, OR OBJECT TO, CONFIRMATION OF THE
8 PLAN;

9 2. THE TREATMENT OF YOUR CLAIM (*I.E.*, WHAT YOU WILL RECEIVE
10 ON ACCOUNT OF YOUR CLAIM IF THE PLAN IS CONFIRMED) AND HOW THIS
11 TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN
12 LIQUIDATION;

13 3. THE HISTORY OF THE DEBTORS AND SIGNIFICANT EVENTS
14 DURING THEIR BANKRUPTCY CASES;

15 4. WHAT THE BANKRUPTCY COURT WILL CONSIDER TO DECIDE
16 WHETHER TO CONFIRM THE PLAN;

17 5. THE EFFECT OF CONFIRMATION; AND

18 6. WHETHER THE PLAN IS FEASIBLE.

19 THE PLAN WILL CONTROL IF THERE IS AN INCONSISTENCY BETWEEN
20 THE TERMS OF THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN.
21 PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT
22 ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THIS
23 DISCLOSURE STATEMENT, AND THE EXHIBITS ANNEXED TO THIS DISCLOSURE
24 STATEMENT.

25 NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY
26 REPRESENTATIONS REGARDING THE PLAN OR THE SOLICITATION OF
27 ACCEPTANCES OF THE PLAN OTHER THAN THE INFORMATION AND
28

1 REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT OR THE
2 PLAN. THE COURT HAS NOT YET DETERMINED WHETHER OR NOT THE PLAN
3 IS CONFIRMABLE, AND THE COURT HAS NO RECOMMENDATION AS WHETHER
4 OR NOT YOU SHOULD SUPPORT OR OPPOSE THE PLAN.

5 THE FINANCIAL DATA RELIED UPON IN FORMULATING THE PLAN IS
6 BASED ON THE DEBTORS' BOOKS AND RECORDS, WHICH ARE UNAUDITED
7 UNLESS OTHERWISE INDICATED. THE INFORMATION CONTAINED IN THIS
8 DISCLOSURE STATEMENT IS PROVIDED BY THE DEBTORS. FURTHER, THE
9 DEBTORS ARE THE SOLE SOURCE OF THE INFORMATION AND THE
10 STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING,
11 WITHOUT LIMITATION, INFORMATION ABOUT THE DEBTORS, THEIR
12 BUSINESSES, AND THE ESTATES' ASSETS.

13 THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE
14 MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE
15 THAT THE STATEMENTS CONTAINED HEREIN SHALL BE CORRECT AT ANY
16 TIME AFTER THE DATE HEREOF. ANY ESTIMATES OF CLAIMS SET FORTH IN
17 THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS
18 ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT.

19 **B. Purpose of this Disclosure Statement**

20 This Disclosure Statement (i) summarizes the contents of the Plan, and (ii) provides certain
21 information related to the Plan and the process the Bankruptcy Court will follow to determine
22 whether or not to confirm the Plan.

23 You should read the Disclosure Statement and the Plan. This Disclosure Statement cannot
24 tell you everything about your rights. You should consider consulting your own lawyer to obtain
25 more specific advice on how the Plan will affect you and your best course of action with respect to
26 the Plan.

The Bankruptcy Code requires that a Disclosure Statement contain “adequate information” concerning the Plan. The Bankruptcy Court has approved this document as an adequate Disclosure Statement, which means that this Disclosure Statement contains adequate information to enable parties affected by the Plan to make an informed judgment about the Plan.

C. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE BANKRUPTCY COURT CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON ALL CREDITORS AND INTEREST HOLDERS IN THESE CHAPTER 11 CASES.

1. Time and Place of the Confirmation Hearing

The hearing at which the Bankruptcy Court will determine whether or not to confirm the Plan (the “Confirmation Hearing”) will take place telephonically on August 12, 2020, at 10:00 a.m. (Pacific Time), before the Honorable Ernest M. Robles, United States Bankruptcy Judge for the Bankruptcy Court. If the Bankruptcy Court determines an in-person hearing to be required, it will take place in Courtroom 1568 of the Edward R. Roybal Federal Building and United States Courthouse, located at 255 East Temple Street, Los Angeles, California 90012.

2. Deadline For Voting For or Against the Plan

If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and return the ballot in the enclosed envelope to Verity Vote Plan Tabulation c/o KCC, LLC, 222 North Pacific Coast Highway, Suite 300, El Segundo, California 90245. Your ballot must be received by KCC by 4:00 p.m. (Pacific Time), on July 30, 2020, 2020 or it will not be counted.

3. Deadline for Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Bankruptcy Court and served so that they are actually received by the following parties no later than July 30, 2020 at 4:00 p.m. (Pacific Time): (i) counsel to the Debtors, Dentons US LLP, 601 South Figueroa Street, Suite 2500, Los Angeles, CA 90017, Attn: Tania M. Moyron, email: tania.moyron@dentons.com; (ii) counsel to the Committee, Milbank LLP, 2029 Century Park East, 33rd Floor, Los Angeles, CA 90067, Attn: Mark Shinderman, mshinderman@milbank.com; (iii) counsel to the 2005 Revenue Bonds Trustee, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, Attn: Daniel S. Bleck and Paul Ricotta, dsblek@mintz.com, pricotta@mintz.com; (iv) counsel to the 2015 Notes Trustee, McDermott Will & Emery LLP, 444 West Lake Street, Suite 4000, Chicago, Illinois 60606, Attn: Nathan F. Coco, ncoco@mwe.com; (v) counsel to the 2017 Notes Trustee, Maslon, LLP, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, Minnesota 55402, Attn: Clark Whitmore, clark.whitmore@maslon.com; and (vi) counsel to the U.S. Trustee, Office of the United States Trustee, 915 Wilshire Boulevard, Suite 1850, Los Angeles, California 90017, Attn: Hatty K. Yip, hatty.yip@usdoj.gov.

D. Identity of Person to Contact for Copies of the Plan and Related Documents

Any interested party desiring further information about the Plan should contact KCC by (i) mail at KCC, LLC, 222 North Pacific Coast Highway, Suite 300, El Segundo, California 90245; or (ii) by phone at (310) 823-9000. You may also review the Debtors' Chapter 11 Case website maintained by KCC at <https://www.kccllc.net/verityhealth>.

II.

OVERVIEW OF THE PLAN

The following is a general overview only, which is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions and information appearing elsewhere in this Disclosure Statement and in the Plan.

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

The Plan essentially implements a comprehensive settlement and compromise between the holders of the Secured 2005 Revenue Bond Claims, the Debtors and the Committee, which enables the Plan to become effective in these Chapter 11 Cases immediately after the sale of the Debtors' remaining Hospital assets, ends the incurrence and expenditure of continuing administrative expenses of the Debtors, permits cash payments to be made to certain creditors on or about the Effective Date of the Plan and thereafter, and resolves the remaining litigation pending against the Prepetition Secured Creditors in these proceedings. Specifically, the comprehensive settlement provides for the following cash payments to be made on or about the Effective Date of the Plan: (i) full payment of the claims of the Prepetition Secured Creditors other than the holders of Secured 2005 Revenue Bond Claims; (ii) partial payment of the Secured 2005 Revenue Bond Claims in an amount not less than \$124.2 million; (iii) full payment of all Allowed Mechanics Lien Claims; and (iv) full payment of all Allowed Administrative Claims. In return for the agreement by the Holders of the Secured 2005 Revenue Bond Claims to accept a partial payment of their claims on the Effective Date and to allow full payment of the Allowed Administrative Claims and Mechanics Lien Claims on or about the Effective Date, the Debtors shall: (i) dismiss with prejudice certain litigation commenced by the Committee for the benefit of the Debtors against the Prepetition Secured Creditors, and waive preserved claims against Verity MOB Financing LLC and Verity MOB Financing II LLC; and (ii) create a Liquidating Trust to collect, liquidate and realize upon the Debtors' remaining assets, which Liquidating Trust shall issue (x) First Priority Trust Beneficial Interests to the 2005 Revenue Bonds Trustee in the amount of the unpaid deficiency of the Secured 2005 Revenue Bond Claims which remains outstanding after the initial payment on the Effective Date with respect to the 2005 Revenue Bond Claims, and (y) Second Priority Trust Beneficial Interests for the benefit all holders of Allowed General Unsecured Claims. As the Debtors' remaining assets are collected, the Liquidating Trust shall make payments to the 2005 Revenue Bonds Trustee, as holder of the First Priority Trust Beneficial Interests for the benefit of the holders of the Secured 2005 Revenue Bond Claims, until such Interests are paid in full, with interest; thereafter, the Liquidating Trust shall make payments to holders of Second Priority Trust

Beneficial Interests until the holders thereof are paid in full. The Plan also provides that, after the Effective Date, the Liquidating Trustee will oversee the operations of the Post-Effective Date Debtors during the Sale Leaseback Period in accordance with the Interim Agreements and the Transition Services Agreements as more fully described herein.

In order to confirm the Plan, the Plan Proponents will request that the Bankruptcy Court approve and implement the terms of (i) the Plan, (ii) the Creditor Settlement Agreements, including the Plan Settlement, and (iii) other documents necessary to effectuate the Plan.

The Plan deems the Debtors substantively consolidated for the purposes of Claim allowance and distribution, which treats the Debtors' assets and liabilities as if they were pooled without actually merging the Debtor entities.

The Plan describes the specific treatment of all Claims and the distribution of proceeds to Holders of Allowed Claims. As set forth in Section 2 of the Plan, except for Administrative Claims, Professional Claims, and Priority Tax Claims, which are not required to be classified, all Claims and Interests are divided into Classes under the Plan, as follows.³

The Plan classifies the following Claims as unimpaired and deemed to have accepted the Plan (and thus not entitled to vote on the Plan): Classes 1A (Priority Non-Tax Claims) and 1B (Secured PACE Financing Claims). These Classes are anticipated to recover 100% of their Allowed Claims.

The Plan classifies the following Claims as impaired and entitled to vote on the Plan: Classes 2 (Secured 2017 Revenue Notes Claims), 3 (Secured 2015 Notes Revenue Claims), 4 (Secured 2005 Revenue Bond Claims), 5 (Secured MOB Financing Claims), 6 (Secured MOB II Financing Claims), 7 (Secured Mechanics Lien Claims), 8 (General Unsecured Claims), 9 (Insured Claims), and 10 (2016 Data Breach Claim). Classes 2, 3, 4, 5, 6, and 7 are anticipated to recover 100% of their Allowed Claims, with the recovery by Class 4 to be realized, in part, on the Effective

³ Section VI.C of this Disclosure Statement further describes the specific treatment of these Claims and Interests under the Plan.

1 Date of the Plan, and the remainder to be realized over time as the Debtors' assets are liquidated by
2 the Liquidating Trust.

3 The Plan classifies the following Claims as impaired and deemed to have rejected the Plan
4 (and thus not entitled to vote on the Plan): Classes 11 (Subordinated General Unsecured Claims)
5 and 12 (Interests). These Claims and Interests are anticipated not to receive any recovery from the
6 Debtors under the Plan.

7 III.

8 **OVERVIEW OF THE DEBTORS AND THE NON-DEBTOR AFFILIATES**

9 **A. The Debtors**

10 Debtor VHS, a California nonprofit public benefit corporation, is the sole corporate
11 member of the following five Debtor California nonprofit public benefit corporations that, on the
12 Petition Date, operated six acute care hospitals: O'Connor Hospital ("OCH"), Saint Louise
13 Regional Hospital ("SLRH"), St. Francis Medical Center ("SFMC"), St. Vincent Medical Center
14 ("SVMC"), Seton Medical Center ("SMC"), and Seton Medical Center Coastsides ("Seton
15 Coastsides") and, together with OCH, SLRH, SFMC, and SVMC, the "Hospitals"). SMC and Seton
16 Coastsides (collectively, "Seton") operated under one consolidated acute care hospital license. All
17 of the Hospitals were licensed as general acute care hospitals by the California Department of
18 Public Health.

19 As of the Petition Date, VHS, the Hospitals, and their affiliated entities (collectively,
20 "Verity Health System") operated as a nonprofit health care system in California, with
21 approximately 1,680 inpatient beds, six active emergency rooms, a trauma center, and a host of
22 medical specialties, including tertiary and quaternary care. The scope of the services provided by
23 the Verity Health System is exemplified by the fact that, in 2017, the Hospitals provided medical
24 services to over 50,000 inpatients and approximately 480,000 outpatients. The Hospitals were
25 certified to participate in the Medicare and Medi-Cal programs. In furtherance of its mission to
26 serve the community, Verity Health System provided care to patients even though they lacked
27 adequate insurance or participated in programs that did not pay full charges. Further information
28

concerning each Debtor's operations is available in the *Declaration of Richard G. Adcock in Support of Emergency First-Day Motions* [Docket No. 8] (the "First-Day Declaration").

The Debtors are as follows:

- Verity Health System of California, Inc.
- O'Connor Hospital
- Saint Louise Regional Hospital
- St. Francis Medical Center
- St. Vincent Medical Center
- Seton Medical Center (which includes Seton Medical Center Coastsides campus)
- Verity Business Services
- O'Connor Hospital Foundation
- Saint Louise Regional Hospital Foundation
- St. Francis Medical Center of Lynwood Foundation
- St. Vincent Medical Center Foundation
- Seton Medical Center Foundation
- Verity Medical Foundation
- Verity Holdings, LLC
- De Paul Ventures, LLC
- De Paul Ventures - San Jose Dialysis, LLC
- St. Vincent Dialysis Center

The Debtors employed approximately 7,385 employees (the "Employees") in the aggregate. Almost three-quarters of the Debtors' Employees, approximately 5,500 people in total, were represented by one of the following unions (the "Unions") pursuant to collective bargaining agreements between the Unions and the respective Debtors: California Nurses Association ("CNA"); Service Employees International Union ("SEIU"); California Licensed Vocational Nurses' Association ("CLVNA"); United Nurses Associations of California/Union of Health Care Professionals ("UNAC"); the American Federation of Labor and Congress of Industrial Organizations ("AFL-CIO"); International Operating Engineers, Stationary Engineers, Local No. 39 ("Local 39"); and the International Federation of Professional and Technical Engineers, Local 20 ("Local 20").

B. The Non-Debtor Affiliates

Certain of the Debtors have interests in the entities listed below that did not file voluntary petitions for relief (collectively, the "Non-Debtor Affiliates"). The Non-Debtor Affiliates are as follows:

- De Paul Ventures - San Jose ASC, LLC
- Marillac Insurance Company, Ltd.

- O'Connor Health Center I
- Sports Medicine Management, Inc.
- St. Vincent de Paul Ethics Corporation
- VHoldings MOB, LLC
- Robert F. Kennedy Medical Center
- Robert F. Kennedy Medical Center Foundation

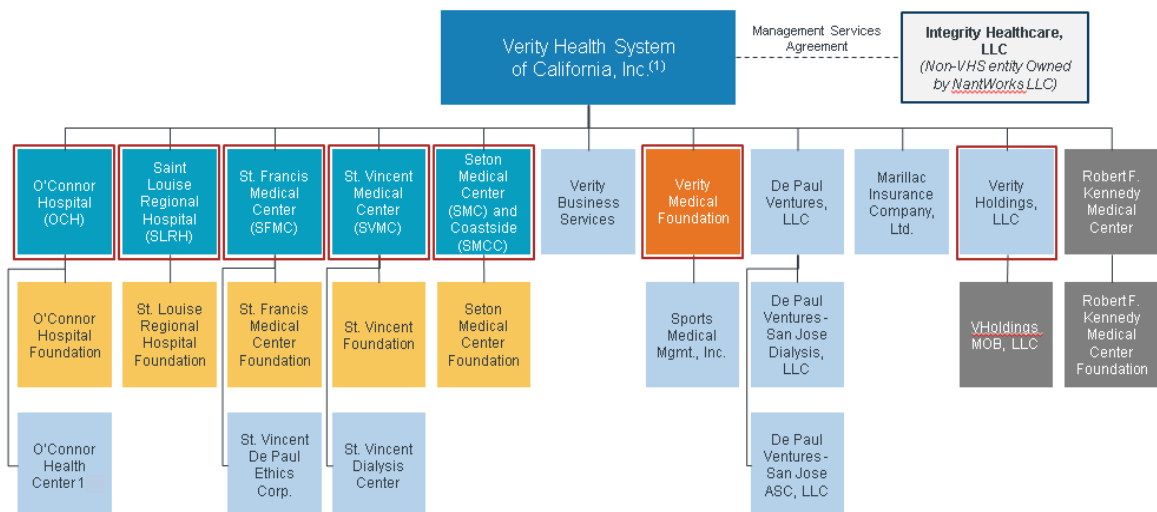
Further information concerning each of the Non-Debtor Affiliate's operations is available in the First-Day Declaration. The Non-Debtor Affiliates do not have material assets or value except for Marillac Insurance Company, Ltd. ("Marillac") and O'Connor Health Center I ("OCH1").

Marillac, a wholly-owned subsidiary of VHS, provides insurance coverage to the Debtors. Marillac was incorporated in the Cayman Islands on December 9, 2003, and holds a Class B(i) Insurer's License pursuant to the Cayman Islands Insurance Law, 2010. This class of licensure applies to insurers writing at least 95% of net premiums with their related business (in this case VHS). Marillac was granted a Class B(i) license effective April 2, 2015.

OCH1 is a California limited partnership, formed in January 1996. OCH Forest 1, LP is the general partner in OCH1 and OCH is a limited partner. OCH1 owns certain real property at 455 O'Connor Drive, San Jose, California, which is leased by OCH.

C. Corporate Structure

The following graphic depicts the Debtors' prepetition organizational structure:



The Debtors' senior management is as follows:

Name	Position
Chief Executive Officer	Richard Adcock
Chief Financial Officer	Peter Chadwick
Chief Operating Officer	Anthony Armada
Chief Medical Officer	Tirso del Junco, Jr. M.D.

VHS is governed by the following seven-member board of directors:

Name	Position
Dr. Ernest Agatstein	Director
James Barber	Director
Terry Belmont	Secretary
Jack Krouskup	Chairman
Charles B. Patton	Director
Christobel Selecky	Director
Andrew Pines	Vice Chair

IV.

EVENTS LEADING TO THE COMMENCEMENT OF THESE CHAPTER 11 CASES

A. Overview of the Debtors' Prepetition Business Operations

The Daughters of Charity of St. Vincent de Paul, Province of the West, (the "Daughters of Charity") originally owned and operated the Hospitals and VMF. The Daughters of Charity began their healthcare mission in California in 1858 with the opening of Los Angeles Infirmary, now known as St. Vincent Medical Center. The Daughters of Charity expanded its hospitals to San Jose in 1889 and San Francisco in 1893. The Daughters of Charity ministered to the poor and sick for more than 150 years.

In March 1995, the Daughters of Charity merged with Catholic Healthcare West ("CHW"). In June 2001, the Daughters of Charity Health System was formed. In October 2001, the Daughters of Charity withdrew from CHW. In 2002, the Daughters of Charity Health System commenced

1 operations and was the sole corporate member of the Hospitals, which at that time were California
2 nonprofit religious corporations.

3 Between 1995 and 2015, the Daughters of Charity and Daughters of Charity Health System
4 struggled to find a solution to continuing operating losses, either through a sale of some or all of the
5 hospitals or a merger with a more financially-sound partner. All these efforts failed, and the health
6 system's losses continued to mount. In 2005, Daughters of Charity Health System issued \$364
7 million in bonds to refinance existing debt and to fund future capital expenditures. Three years
8 later, in 2008, they issued another \$143 million in bonds to refinance existing debt (the "2008
9 Bonds").

10 Between 2012 and 2014, Daughters of Charity Health System participated in an affiliation
11 with Ascension Health Alliance ("Ascension") in an effort to create greater operating efficiencies.
12 Previously, Ascension was the largest Catholic health system in the world and the largest non-profit
13 health system in the United States with facilities in 23 states and the District of Columbia. The
14 affiliation between Daughters of Charity Health System and Ascension failed.

15 Despite continuous efforts to improve operations, operating losses continued to plague the
16 health system due to, among other things, mounting labor costs, low reimbursement rates and the
17 ever-changing healthcare landscape. In 2013, Daughters of Charity Health System actively
18 solicited offers for OCH, SLRH, and Seton. In 2013, to avoid failing debt covenants, the Daughters
19 of Charity Foundation, an organization separate and distinct from the Daughters of Charity Health
20 System, donated \$130 million to the health system to allow it to retire the 2008 Bonds in the total
21 amount of \$143.7 million.

22 In early 2014, Daughters of Charity Health System announced that they were beginning a
23 process to evaluate strategic alternatives for the health system. Throughout 2014, Daughters of
24 Charity Health System explored offers to sell the health system and, in October of 2014, they
25 entered into a purchase agreement with Prime Healthcare Services and Prime Healthcare
26 Foundation (collectively, "Prime"). However, to keep the Hospitals open during the sale process,
27 Daughters of Charity Health System borrowed another \$125 million to mitigate immediate cash
28

1 needs until the sale could be consummated. Notably, the goal of the transaction was to maintain the
2 status quo. The guiding principles for the sale included protecting existing pensions, repaying all
3 bond debt, continuation of all collective bargaining agreements, maintenance of existing contracts
4 for patient services, and obtaining promises for substantial capital expenditures. In early 2015, the
5 Attorney General of California (the “Attorney General”) consented to the sale to Prime, subject to
6 certain conditions. Prime terminated the transaction in light of the “onerous conditions” on the
7 continued operation of the Hospitals imposed by the Attorney General.

8 In 2015, Daughters of Charity Health System again marketed their health system for sale,
9 and, again, focused on offers that maintained the health system as a whole and assumed all the
10 health system’s obligations. In July 2015, the Daughters of Charity Health System board of
11 directors selected BlueMountain Capital Management LLC (“BlueMountain”), a private
12 investment firm, to recapitalize operations and transition leadership of the health system to the new
13 Verity Health System (the “BlueMountain Transaction”).

14 In connection with the BlueMountain Transaction, BlueMountain agreed to make a capital
15 infusion of \$100 million to the Verity Health System, arrange loans for another \$160 million to the
16 Verity Health System, and manage operations of the Verity Health System, with an option to buy
17 Verity Health System at a future time. In addition, the parties entered into a System Restructuring
18 and Support Agreement (the “Restructuring Agreement”) that, among other things, changed the
19 Daughters of Charity Health System name to Verity Health System. The Restructuring Agreement
20 also provided that VHS and the Hospitals would be converted from religious corporations to
21 nonprofit public benefit corporations.

22 The Daughters of Charity Health System requested the Attorney General’s consent to enter
23 into the Restructuring Agreement and the BlueMountain Transaction. The Attorney General
24 retained MDS Consulting, an expert consulting firm, to prepare healthcare impact reports for the
25 Attorney General concerning the proposed transactions. According to the expert’s healthcare
26 impact reports, Daughters of Charity Health System outlined the following reasons why the
27 BlueMountain Transaction was either necessary or desirable:
28

- The current structure and sponsorship of Daughters of Charity Health System was no longer possible as a result of cash flow projections and dire financial conditions.
- In July and August of 2014, Daughters of Charity Health System obtained a short-term financing bridge loan in the amount of \$125 million to mitigate the immediate cash needs for an estimated period of time long enough to allow for the transaction to close. Repayment of the funds was due on December 15, 2015, at which time if the full amount was not repaid, Daughters of Charity Health System would be at risk of defaulting on both their outstanding 2014 and 2005 revenue bonds.
- Without bankruptcy protection or additional financial support, Daughters of Charity Health System could not continue hospital operations if there were a default.

On December 3, 2015, the Attorney General approved the BlueMountain Transaction, subject to certain conditions (the “Conditions”). The Conditions were imposed for periods ranging from 5 to 15 years and generally included: (1) limits on transfers of control; (2) maintenance of specific health services and specific bed counts; (3) required participation in Medicare and Medi-Cal programs; (4) required levels of community benefit programs; (5) required levels of charity care; (6) maintenance of certain county payor contracts; (7) requirements for local governing boards; (8) requirements for medical staff compliance; and (9) an annual attestation of compliance with the Conditions.

In 2015, BlueMountain formed Integrity Healthcare, LLC (“Integrity”) to carry out management services for Verity Health System. Integrity provided management services pursuant to 15-year term Health System Management Agreement by and between Integrity and VHS (the “Management Agreement”). Integrity received a monthly management fee pursuant to the Management Agreement, which was calculated based on a specified percentage of trailing 12-month operating revenues for VHS and provided that VHS could defer a portion of the fee payments with such deferments subject to interest accruing at 2.82% per annum. Integrity was wholly owned by BlueMountain through June 30, 2017.

Verity Health System did not prosper despite BlueMountain’s infusion of cash and retention of various consultants and experts to assist in improving cash flow and operations.

In July 2017, NantWorks, LLC (“NantWorks”) acquired a controlling stake in Integrity. NantWorks brought in new officers, and NantWorks loaned another \$148 million to the Debtors.

1 The NantWorks transaction did not result in significant changes to the terms of the Restructuring
2 Agreement or the Conditions.

3 Once again, Verity Health System did not achieve expected success despite the infusion of
4 capital and new management. Losses continued at approximately \$175 million annually on a cash
5 flow basis.

6 VHS's great efforts to revitalize its Hospitals and improvements in performance and cash
7 flow proved insufficient to overcome the legacy burden of more than a billion dollars of bond debt
8 and unfunded pension liabilities, an inability to renegotiate collective bargaining agreements or
9 payor contracts, the continuing need for significant capital expenditures for seismic obligations and
10 aging infrastructure, and the general headwinds facing the hospital industry. It became apparent
11 that the problems facing the Verity Health System were too large to solve without a formal
12 court-supervised restructuring.

13 **B. The Debtors' Prepetition Capital Structure⁴**

14 VHS, Verity Business Services ("VBS"), and the Hospitals are jointly obligated parties on
15 approximately \$461.4 million of outstanding secured debt consisting of: (a) \$259.4 million
16 outstanding tax exempt revenue bonds, the 2005 Series A, G and H Revenue Bonds, issued by the
17 California Statewide Communities Development Authority ("CSCDA"), which loaned the bond
18 proceeds to VHS to provide funds for capital improvements and to refinance certain tax exempt
19 bonds previously issued in 2001 by the Daughters of Charity Health System; and (b) \$202 million
20 outstanding tax exempt revenue notes, the 2015 Revenue Notes and the 2017 Revenue Notes issued
21 by the California Public Finance Authority (the "CPFA"), which loaned the proceeds to VHS to
22 provide working capital. Wells Fargo Bank, National Association, is the 2005 Revenue Bonds
23

24
25 ⁴ For additional information concerning the Debtors' prepetition capital structure, the Debtors
26 refer to the *Declaration of Anita Chou, Chief Financial Officer, in Support of Motion Of*
27 *Debtors For Interim And Final Orders (A) Authorizing The Debtors To Obtain Post Petition*
28 *Financing (B) Authorizing The Debtors To Use Cash Collateral And (C) Granting Adequate*
Protection To Prepetition Secured Creditors Pursuant To 11 U.S.C. §§ 105, 363, 364, 1107
And 1108 [Docket No. 32].

1 Trustee, U.S. Bank, National Association, is the 2015 Notes Trustee and 2017 Notes Trustee, and
2 UMB Bank, N.A., is the Master Trustee.

3 Except for the taxable Series 2015C of the 2015 Revenue Notes, the 2005 Series A, G and H
4 Revenue Bonds, 2015 Revenue Notes, and 2017 Revenue Notes are all tax exempt, meaning
5 interest on the bonds is not taxable to the holders, so long as the obligors maintains their qualified
6 tax exempt status and the proceeds of the bonds are used for the tax exempt purposes for which they
7 were originally intended. The Series 2005 A Bonds are comprised of four term bonds maturing on
8 July 1, 2024, 2030 and 2035, bearing interest at 5.75% (Series 2005A-2024), (Series 2005A-2030),
9 (Series 2005A-2035) and one maturing July 1, 2039 bearing interest at 5.50% (Series
10 2005A-2039). The Series 2005G term bond matures on July 1, 2022 and bears interest at 5.50%.
11 The Series 2005H- term bond matures on July 1, 2025 and bears interest at 5.75%. The 2015
12 Revenue Notes matured on June 10, 2019 (Series 2015A, Series 2015B, Series 2015C and Series
13 2015D) and the 2017 Revenue Notes mature on December 10, 2020 (Series 2017A, 2017B). Series
14 2015A and B and Series 2017 and 2017B bear interest at 7.25%, while the Series 2015D carries an
15 8.75% interest rate and the taxable Series 2015C accrues interest at 9.5%.

16 Holdings, a direct subsidiary of its sole member VHS, was created in 2016 to hold and
17 finance the Debtors' interests in six medical office buildings whose tenants are primarily
18 physicians and other practicing medical groups and certain of the Hospitals. Holdings is the
19 borrower of approximately \$66 million through two series of non-recourse financing secured by
20 separate deeds of trust and revenue and accounts pledges, including lease rents on each medical
21 building, pursuant to the MOB I Loan Agreement with Verity MOB Financing LLC ("MOB I") and
22 MOB II Loan Agreement with Verity MOB Financing II LLC ("MOB II") (collectively, the "MOB
23 Financings"). The MOB Financings bear interest at a variable interest rate equal to One Month
24 LIBOR, plus a spread of 5.0% with a floor of 6.23% for the first series and a floor of 6.92% for the
25 second series. The secured lenders for the MOB Financings are affiliates of NantWorks, which is
26 an affiliate of Integrity.

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

During May 2017, the CSCDA issued \$20 million of limited obligation tax exempt bonds, pursuant to the CaliforniaFIRST Clean Fund Program in five series all with the same maturity date of September 2, 2047 (the “Clean Fund Bonds”) as the conduit issuer for the benefit and obligation of Verity. The purpose of the bond funding was to assist with clean energy construction efforts of SMC and is secured by SMC’s voluntary agreement to special tax assessments by Daly City. No other Debtor is liable for repayment of the Clean Fund Bonds. Wilmington Trust National Association (“WTNA”) is the Trustee holding the construction funds and a prefunded capitalized interest fund and is the collateral agent for collection of the special tax assessments for use in paying interest and principal on the Clean Fund Bonds. Interest on the Clean Fund Bonds accrues at 6.4%. The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the Clean Fund Bonds.

In September 2017, the CSCDA issued \$20 million of limited obligation tax exempt bonds, pursuant to the CaliforniaFIRST Program for the purpose of assisting with clean energy and seismic improvement construction at SMC (“NR2 Petros Bonds”). The NR2 Petros Bonds also mature on September 2, 2047, and carry an interest rate of 6.45%. The NR2 Petros Bonds are also California tax exempt and are secured by a special Daly City tax assessment on SMC property. No other Debtor is liable for repayment of the NR2 Petros Bonds. The special assessment runs for a period which is the shorter of 30 years or the early full defeasement of the NR2 Petros Bonds. WTNA is the Trustee holding the seismic improvement funds, as well as a pre-funded interest payment fund.

NantCapital, LLC also provided \$40 million of unsecured debt financing for Holdings as reflected in two \$20 million unsecured notes (the “Nant Unsecured Notes”). The Nant Unsecured Notes are balloon notes with interest and principal payable at maturity in 2020 and carry annual compounded interest rates of 7.25%.

As set forth in the Intercreditor Agreement, as of the Petition Date, the 2015 Notes Trustee and the 2017 Notes Trustee have a first priority security interest, and the 2005 Revenue Bonds Trustee has a second priority security interest, in (i) all of the Hospital Debtors’ accounts

1 receivable, and (ii) all of the assets of SLRH and SFMC. Pursuant to the terms of the Master
2 Indenture and related security agreements, the 2015 Notes Trustee and the 2017 Notes Trustee have
3 a *pari passu* security interests with the 2005 Revenue Bonds Trustee in all of the assets of OCH,
4 SVMC, Seton, and VHS. In addition, there is one parcel used by Seton that is owned by Holdings
5 and only encumbered by a deed of trust held by the 2017 Notes Trustee. Further, MOB I and MOB
6 II hold security interests in Holdings' accounts, including rents, arising from the prepetition MOB
7 Financing, and deeds of trust on all of the medical office buildings owned by Holdings.

8 **C. The Debtors' Prepetition Unsecured Claims**

9 The unsecured claims against the Debtors on the Petition Date include claims made by
10 vendors of goods and services, cost report payables, pension obligations, management fees,
11 incurred but not reported third party claims and other claims.

12 **D. The Debtors' Retirement Related Benefit Plans**

13 The Debtors maintain several retiree-related benefit plans that include pension benefits and
14 healthcare benefits. With respect to pensions, there are two single employer defined benefits plans,
15 two multi-employer defined benefit plans (collectively, the "Defined Benefits Pension Plans") and
16 several defined contribution plans (collectively, the "Defined Contribution Pension Plans" and,
17 referred to along with the Defined Benefits Plans as the "Pension Plans"). In addition, the Debtors
18 maintain a retiree health benefit plan that provides a supplement for retirees who timely select into
19 the program (the "Retiree Health Benefit"). At present, there are only approximately 12 retirees
20 who utilize the Retiree Health Benefit.

21 The Defined Benefits Pension Plans originated with, or otherwise arose from, defined
22 benefits pension plans that were maintained by, or otherwise contributed into, by Daughters of
23 Charity. In connection with the BlueMountain Transaction, VHS retained liabilities with respect to
24 certain of these Defined Benefits Pension Plans, including a single employer non-ERISA
25 compliant, non-insured plan by the Pension Benefit Guaranty Corporation ("PBGC"), known as the
26 "Church Plan." At the time of the BlueMountain Transaction, the Church Plan was significantly
27 underfunded. As a provision of the BlueMountain Transaction, VHS agreed to convert the Church
28

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 Plan to an ERISA-compliant, PBGC-insurable defined benefit plan, which was called the Verity
2 Health System Retirement Plan (the “VHS Plan”). Subsequently, in an effort to enhance its ability
3 to meet contribution requirements, the Board of Directors of VHS converted the VHS Plan into
4 Verity Plan A and, using approximately \$7,966,440 from the corpus of Plan A, created Verity Plan
5 B (collectively, the “Single-Employer Plans”). The creation of Plan B permitted the largest number
6 of beneficiaries with the lowest account balances to be shifted into Plan B, thereby reducing
7 insurance costs of Plan A. The Debtor entities that participate in the Single-Employer Plans
8 include OCH, SLRH, SFMC, and SVMC. In addition, certain systems office employees
9 participate in Plan A. The Single-Employer Plans are frozen as to all employees, other than with
10 respect to Plan A for active CNA members. Since its creation and up to the Petition Date, Verity
11 made all required contributions to Plan A. Based upon those contributions, Plan A became insured
12 up to 40% of the maximum insurable level provided by the PBGC. Since the Petition Date, and
13 pursuant to Bankruptcy Court authorization, contributions have been made to Plan A with respect
14 to active CNA members. Because Plan B was and remains fully funded, no contributions have
15 been made to Plan B since its creation. The PBGC terminated the Single-Employer Plans, effective
16 April 2019.

17 In addition to the Church Plan, Verity inherited obligations with respect to two
18 multiemployer defined benefit pension plans, referred to as the Retirement Plan for Hospital
19 Employees (“RPHE”) and the Stationary Engineers Local 39 Pension Plan (“Local 39 Plan” and
20 collectively referred to with the RPHE as the “Multi-Employer Plans”). The Debtor entities that
21 participate in the RPHE are Seton, OCH, SLRH, and Caritas Business Services. The RPHE was
22 frozen as to these facilities, other than with respect to CNA members at OCH, SLRH, and SMC.
23 Benefits under the RPHE are generally based on years of service and employee compensation.
24 Contributions to the RPHE are based on actuarially determined amounts established by the RPHE
25 Board of Trustees to meet benefits to be paid to plan participants and satisfy IRS funding
26 requirements. Similar to the Church Plan, the RPHE was significantly underfunded. After the
27
28

1 BlueMountain transaction and up through July 31, 2018, the Debtors made all requisite
2 contributions to the RPHE.

3 In addition to the Defined Benefits Pension Plans, VHS and VMF maintain several Defined
4 Contribution Pension Plans for employees, which include employer matching contributions and
5 cover union represented employees. The Defined Contribution Pension Plans include the Verity
6 Health System Supplemental Retirement Plan (TSA), the Verity Health System Supplemental
7 Retirement Plan (401(a)), the Verity Health System Retirement Plan Account (RPA), the Verity
8 Medical Foundation 401(k) Plan, the Verity Medical Foundation Management Bargaining Unit
9 Employees 401(k) Plan for represented employees and the Verity Health System Executive
10 Long-Term Savings Plan 457(b) (or “Rabbi Trust Plan”) for nonrepresented employees. The
11 Defined Contribution Pension Plans are funded from employee and/or employer contributions
12 generally on a payroll by payroll basis. In addition to the above active defined contribution plans,
13 there are several small, frozen ancillary retirement plans. During the fiscal years ended June 30,
14 2017 and 2016, the employer’s contribution expense for Defined Contribution Pension Plans was
15 approximately \$18.48 million and \$21.75 million, respectively. The Defined Contribution Pension
16 Plans are fully funded and contributions have continued throughout the Chapter 11 Cases.

17 **E. Fiscal Crisis on the Petition Date**

18 As described above, the fiscal crisis which faced the Debtors on the Petition Date was the
19 consequence of multiple historical challenges. Below are a few of the most significant financial
20 issues the Debtors faced when they filed the Chapter 11 Cases.

21 **1. Payor Rates**

22 The Debtors’ payor contracts with health plans were 20-43% below market. The
23 Conditions imposed by the Attorney General required that the Debtors maintain certain payor
24 contracts, which severely limited the Debtors’ negotiating power. These below market rates made
25 it impossible for the Hospitals to generate sufficient cash flow to maintain liquidity.

2. Labor Rates

Payroll costs in the twelve months before the Petition Date increased by nearly \$65 million. The increase was partially related to Union contracts, which, prepetition, increased the Debtors' labor costs by approximately 5% year-over-year.

3. Pension Plan Obligations

The Debtors incurred, and anticipated, significant expenses on account of Pension Plan and other postretirement benefit liabilities, many of which are related to underfunded legacy obligations dating back to the Daughters of Charity Health System.

For example, as of the Petition Date, the RPHE was frozen to ongoing benefit accruals, except with respect to CNA members at OCH, SLRH, and SMC. However, prepetition, VHS had recorded benefit expenses of \$16.72 million and \$20.46 million in cash contributions to the RPHE for fiscal years ended June 30, 2018 and 2017, respectively, and \$12.36 million to the RPHE for the period from December 2015 through June 2016. Further, on the Petition Date, VHS was scheduled to make contributions to the RPHE totaling \$13.61 million in fiscal year 2019. A significant amount of those scheduled contributions in fiscal year 2019—\$8.54 million—represented make-up contributions for unfunded amounts that arose during the Daughters of Charity Health System time period.

Similarly, as of the Petition Date, Verity Plans A & B were frozen with respect to ongoing benefit accruals, except with respect to CNA members at SVMC participating in Verity Plan A. VHS contributed \$45.40 million and \$41.68 million to Verity Plan A & B for fiscal years ended June 30, 2018 and 2017, respectively, and \$7.73 million to Verity Plan A for the period from December 2015 through June 2016. Further, on the Petition Date, VHS was scheduled to make contributions to Verity Plan A totaling \$25.50 million in fiscal year 2019, of which \$20.26 million represented make-up contributions for underfunded amounts that arose during the Daughters of Charity Health System time period.

4. IT Investment

VHS's information technology ("IT") system required investments of nearly \$50 million over the coming year. The Debtors' IT systems relied on outdated electronic health records and enterprise resource planning (*i.e.*, human resources, supply chain management, inventory management, etc.). Further, significant IT asset upgrades were required to modernize the Hospitals and continue providing quality patient care services. For example, VHS needed to (i) immediately replace its outdated local area and wireless networking equipment with modern equipment to enable reliable access by all VHS system users (a \$15 million estimated cost over a one-year implementation period), and (ii) replace VHS's obsolete clinical systems, including medical record systems and financial systems, to provide up-to-date patient records, improved clinical planning, care management, and better charge control (a \$220 million estimated cost over a period of two years).

5. Seismic and Energy Requirements

VHS faced required seismic and energy expenditures of over \$150 million over the coming years. The forecasted expenses included building improvements and demolitions at SVMC, SMC, and OCH that must be completed by 2020, and another round of improvement obligations at SVMC, SMC, OCH, and SLRH required by 2030. These seismic improvement deadlines are mandated by the California Office of Statewide Health Planning and Development and the Attorney General pursuant to the Conditions imposed on the BlueMountain Transaction.

6. Insurance Obligations

As set forth in the First-Day Declaration, the Debtors maintain various insurance policies issued by several insurance carriers (collectively, the "Insurance Carriers"). Collectively, these policies provide coverage for, among other things: storage tank liability, commercial property, workers' compensation and employers liability, commercial automobile, helipad liability & non-owned aircraft liability, sexual misconduct and molestation liability, D&O liability, general liability, and professional liability (collectively, the "Insurance Policies").⁵

⁵ As of the Petition Date, the Insurance Policies included six CA DHS Patient Trust Bonds. The Debtors cancelled the two covering OCH and SLRH following the SCC Sale (defined below),

1 Significant insurance is issued to the Debtors by its captive insurer Marillac. The policies
2 issued by Marillac cover professional and general liability (both at the primary and excess level)
3 and additional excess coverage as to automobile liability, heliport and non-owned aircraft liability,
4 employer's liability and certain other general liability.

5 As of the Petition Date, the Debtors maintained a workers' compensation insurance policy
6 with Old Republic Insurance Company ("Old Republic") with a \$500,000 deductible for each
7 claim. Old Republic provides coverage under the policy up to \$1 million for each claim. Marillac
8 issued a Deductible Liability Protection Policy which provides coverage for the deductible
9 obligations on the Debtors' workers' compensation policy issued by Old Republic. On average, the
10 monthly invoice amounts for deductibles (including allocated loss adjustment expenses) incurred
11 under the workers' compensation policy is between \$400,000 and \$650,000, which are timely paid
12 by Marillac under the Deductible Liability Protection Policy. As discussed further below, the
13 Debtors' workers' compensation policy is now covered by the State program.

14 The Debtors also maintain self-insured retentions of \$250,000 per claim under their D&O
15 liability coverage, \$350,000 per claim under their employment practices coverage, \$50,000 per
16 claim under their fiduciary liability coverage, \$100,000 per claim under their crime coverage, and
17 \$50,000 per claim under their sexual misconduct and molestation liability coverage (the
18 "Self-Insured Retentions" or "SIRs"). A SIR is a loss amount that the insured is obligated to pay
19 before the insurer's coverage obligation is triggered.

20 The Debtors' Self-Insured Retentions are administered, so that the Debtors pay directly for
21 the losses under each policy as they are incurred up to the amounts of the Self-Insured Retentions.
22 Such SIRs due prepetition have been paid pursuant to the Insurance Motion (as defined below).

23
24
25
26
27 renewed the other four, then cancelled the one covering SVMC following its Court-ordered
28 closure.

1 **7. Medical Equipment**

2 On the Petition Date, VHS required over \$100 million in medical equipment expenditures
3 over a period of several years. The Debtors delayed these investments because significant debt,
4 pension, seismic and operating losses limited the Debtors' liquidity.

5 **F. Working Capital Shortfalls**

6 The Debtors, like other hospitals serving similar communities, rely on government support
7 to help bridge the gap between the amounts they are reimbursed by private insurance companies,
8 Medicare and Medi-Cal, and their cost of providing care. The Quality Assurance Fee program,
9 established in 2010, provides funding for supplemental payments to California hospitals that serve
10 Medi-Cal and uninsured patients. The program is successful, providing billions of dollars in
11 supplemental payments to California hospitals. The Medicare and Medi-Cal programs also provide
12 funding to hospitals that treat indigent patients through the Disproportionate Share Hospital
13 ("DSH") programs, under which facilities are able to receive at least partial compensation. Under
14 the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148, as amended) (the "ACA"),
15 Congress would have reduced federal DSH allotments beginning in 2014, to account for the
16 decrease in uncompensated care anticipated under health insurance coverage expansion. However,
17 several pieces of legislation enacted since 2010 have delayed the ACA's Medicaid DSH reduction
18 schedule. Unfortunately, the Quality Assurance Payments and DSH program payments are
19 unreliable sources of cash flow as the Debtors regularly experience payment reductions and delays.

20 The Debtors' reliance on Quality Assurance Payments led to working capital shortages due
21 to delays in approval and lower-than-expected payments. For example, on the Petition Date:

- 22 • *14-Month Delay*: QAF V FFS program (service period 1/1/17 - 6/30/19) was not
23 approved until December 2017, and the Debtors did not start receiving payments until
the end of February 2018 (14-month delay);
- 24 • *29-Month Delay*: QAF V HMO program's first payment was not funded until May 2019
25 (a 29-month delay on receiving funds);
- 26 • *Receiving less than Expected*: Through all 10 QAF V FFS cycles, the Debtors received
27 anywhere from 70% to 100% of expected payments.

G. The Attorney General Conditions

As set forth above, as part of approving the Restructuring Agreement, the Attorney General placed certain operational restrictions on VHS and each of the Hospitals, which include certain minimum annual spending for charity care, community benefits, and capital expenditures among other mandates. These Conditions had the cumulative effect of locking the Debtors into a failing business model, dictating minute details of business operations, and denying the Debtors the ability to repurpose facilities. For example, SMC could potentially better serve its community by operating as a much-needed long-term post-acute care facility, rather than as one of the many acute care hospitals in a saturated service area. The Conditions foreclose this option.

The Conditions also compelled the Debtors to expend millions of dollars to provide charity care, even though the number of uninsured people in California steadily decreased since passage of the ACA. In October 2017, VHS was also required to make an additional contribution to the Retirement Plans of \$7.62 million as a result of a shortfall in the fiscal year 2017 charity care requirement for certain hospitals.

The Conditions denied the Debtors the benefits of the marketplace. For example, as discussed above, the Conditions require the Debtors to enter into payor contracts with specific entities regardless of whether more economically advantageous contract terms are offered elsewhere. Because those payors were well aware of this obligation, VHS lost all bargaining power with those payors.

The Debtors commenced these Chapter 11 Cases as a result of the issues discussed in this Section IV with the objective of protecting the original legacy of the Daughters of Charity to the maximum extent possible. The Debtors pursued a strategy to retire debt incurred over the past 18 years so the Hospital facilities and work force can continue their critical operations under new ownership and leadership without the accumulated crisis of the past.

V.

SIGNIFICANT EVENTS DURING THE CHAPTER 11 CASES

Below is a discussion of the material pleadings and events to date during the Chapter 11 Cases.

A. Material First-Day Motions and Related Adversary Proceeding Filed on the Petition Date

1. Emergency Motion to Pay the Debtors' Prepetition Priority Wages

The Debtors filed an emergency motion [Docket No. 22] (the "Wage Motion") for authority to pay the Debtors' prepetition priority wages and related benefits in the ordinary course of business to avoid the disruption to the Debtors' business from failing to do so. The Bankruptcy Court granted the Wage Motion. *See* Docket No. 612.

2. Emergency Motion to Provide Adequate Assurance of Payment to the Debtors' Utilities

The Debtors filed an emergency motion [Docket No. 28] (the "Utilities Motion") for an order authorizing the Debtors to provide adequate assurance of future payment to certain utility companies pursuant to § 366(c). The Bankruptcy Court granted the Utilities Motion. *See* Docket No. 133.

3. Emergency Motion for Joint Administration of these Chapter 11 Bankruptcy Cases

The Debtors filed an emergency motion [Docket Nos. 3-5] (the "Joint Administration Motion") for authority to jointly administer all of the Debtors' Chapter 11 Cases. The Bankruptcy Court granted the Joint Administration Motion. *See* Docket No. 17.

4. Emergency Motion for Authority to Honor Prepetition Claims of Critical Vendors

The Debtors filed an emergency motion [Docket No. 29] (the "Critical Vendor Motion") for authority to honor the prepetition obligations to certain critical vendors. The Bankruptcy Court granted the Critical Vendor Motion. *See* Docket Nos. 134, 436].

5. Emergency Motion to Maintain Cash Management Systems

The Debtors filed an emergency motion [Docket No. 23] (the “Cash Management Motion”) for authority to maintain their cash management systems, which was imperative to avoid significant disruption to the Debtors’ business operations. The U.S. Trustee provided the Debtors with informal comments to the Cash Management Motion. *See* Docket No. 70 at 1. Based on the comments, the Debtors supplemented the Cash Management Motion [Docket No. 70] and agreed to a mutually acceptable postpetition cash management system with the U.S. Trustee. Accordingly, the Bankruptcy Court granted the Cash Management Motion on an interim basis as modified and supplemented. *See* Docket. No. 76.

On September 27, 2018, the Committee filed a response [Docket No. 313] to the Cash Management Motion. On October 1, 2018, the Debtors filed their reply [Docket No. 357]. The Bankruptcy Court overruled the objections raised in the Committee’s response and entered an order granting the Cash Management Motion on a final basis. *See* Docket Nos. 384, 728.

6. Emergency Motion to Maintain Insurance Programs and Related Adversary Proceeding

The Debtors filed an emergency motion [Docket No. 24] (the “Insurance Motion”) for authority to maintain insurance programs, pay premiums and other obligations in the ordinary course, and prevent insurance companies from enforcing *ipso facto* provisions or otherwise terminating insurance policies without first seeking relief from the automatic stay. The Bankruptcy Court granted the Insurance Motion. *See* Docket No. 131.

The Debtors filed an adversary proceeding against Old Republic requesting injunctive relief to prevent Old Republic from drawing down the Letter of Credit due to the bankruptcy filing. *See* Adv. Pro. No. 2-18-ap-01277-ER, Docket No. 1. That same day, the Bankruptcy Court entered an order issuing a temporary restraining order, enjoining Old Republic from drawing down the Letter of Credit in full based upon the Debtors’ insolvency or bankruptcy filing. *See id.*, Docket No. 4. On September 11, 2018, the Debtors and Old Republic entered into a stipulation whereby Old Republic agreed not to draw on the Letter of Credit based upon the Debtors’ insolvency or

1 bankruptcy filing which was approved in an order of the Bankruptcy Court. *See id.*, Docket Nos.
2 24, 25. On November 19, 2018, the Debtors voluntarily dismissed the adversary proceeding against
3 Old Republic. *See id.*, Docket No. 27.

4 **7. DIP Financing/Cash Collateral**

5 On August 31, 2018, the Debtors filed the *Emergency Motion Of Debtors For Interim And*
6 *Final Orders (A) Authorizing The Debtors To Obtain Post Petition Financing (B) Authorizing The*
7 *Debtors To Use Cash Collateral And (C) Granting Adequate Protection To Prepetition Secured*
8 *Creditors Pursuant To 11 U.S.C. §§ 105, 363, 364, 1107 and 1108* [Docket No. 31] (the “DIP
9 Motion”). Under the DIP Motion, the Debtors sought debtor-in-possession financing (the “DIP
10 Financing”) from Ally Bank, as agent and lender under the DIP Credit Agreement (the “DIP
11 Lender”), and permission to use the cash collateral of the Prepetition Secured Creditors. On
12 October 4, 2018, the Court entered an order (the “Final DIP Order”) granting the DIP Motion
13 [Docket No. 409], which authorized, among other things, DIP Financing up to \$185 million and
14 adequate protection to the Debtors’ Prepetition Secured Creditors. The adequate protection
15 provided to the Prepetition Secured Creditors included, *inter alia*, a rollover lien in virtually all of
16 the Debtors’ assets, with certain exceptions, to the extent of the diminution in value of the
17 Prepetition Secured Creditors’ collateral, and also granted to the Prepetition Secured Creditors a
18 superpriority administrative claim in all of the Debtors’ assets.

19 On December 27, 2018, the Committee appealed certain aspects of the Final DIP Order (the
20 “District Court DIP Appeal”) to the United States District Court for the Central District of
21 California (the “District Court”). *See* Case No. 2:18-cv-10675-RGK, Docket No. 1 (C.D. Cal. Dec.
22 27, 2018). The Committee did not seek a stay pending appeal of the Final DIP Order. On April 8,
23 2019, the District Court granted motions to intervene filed by the Master Trustee, the 2005 Revenue
24 Bonds Trustee, the 2015 Notes Trustee, and the 2017 Notes Trustee (collectively, the “Intervening
25 Appellees”). *See id.*, Docket Nos. 29, 30.

26 On August 2, 2019, the District Court issued an order dismissing the District Court DIP
27 Appeal as moot. *See id.*, Docket No. 40. On August 26, 2019, the Committee appealed the District
28

Court order to the United States Court of Appeals for the Ninth Circuit (the “Ninth Circuit”) [Docket No. 2961], thereby commencing the case captioned *Official Committee of Unsecured Creditors of Verity Health System of California, Inc., et al. v. Verity Health System of California, Inc., et al.*, Case No. 19-55997 (9th Cir.) (the “9th Cir. DIP Appeal”). On June 2, 2020, the Ninth Circuit heard oral argument on the 9th Cir. DIP Appeal. On June 9, 2020, the Ninth Circuit issued a decision affirming the District Court’s dismissal of the Committee’s appeal.

Approximately \$71 million of adequate protection payments have been made to the Prepetition Secured Creditors, as follows:

Verity Health System	
Post-Petition Adequate Protection	
As of 5/30/2020	
<i>\$ in 000's</i>	Amount
Total Adequate Protection Payments	\$ 70,973
Adequate Protection Debt Service	\$ 61,053
Series 2017 Notes	5,329
Series 2017A	2,664
Series 2017B	2,664
Series 2015 Notes	21,928
Series 2015A	7,613
Series 2015B	5,709
Series 2015C	1,663
Series 2015D	6,944
Series 2005 Bonds	25,750
Series 2005A	24,095
Series 2005G	849
Series 2005H	806
MOB Notes	8,047
MOB I	5,616
MOB II	2,430
Adequate Protection Professional Fees	\$ 9,920
Series 2017 Notes	1,463
Series 2015 Notes	1,878
Series 2005 Bonds	6,350
MOB Notes	228

1 The amount of adequate protection professional fees attributable to the Series 2005 Bonds includes
2 the fees of the 2005 Revenue Bonds Trustee and the Master Trustee, as well as the fees of their legal
3 and financial advisors.

4 The DIP Financing was secured by substantially all of the Debtors' assets and also provided
5 for superpriority administrative priority status for all obligations under the facility. The Debtors
6 obtained a debtor-in-possession financing facility with up to \$185 million of availability from the
7 DIP Lender subject to a borrowing base which was approved on a final basis pursuant to the Final
8 DIP Order.

9 Pursuant to the DIP Credit Agreement, the DIP Financing was due to expire and mature in
10 accordance with its terms on September 7, 2019. The Debtors and the Prepetition Secured
11 Creditors negotiated the terms of an agreement pursuant to which the Debtors would utilize the
12 Prepetition Secured Creditors' cash collateral in order to pay off the outstanding amounts owed to
13 the DIP Lender and fund operational expenses. On August 28, 2019, the Debtors filed a motion
14 [Docket Nos. 2962, 2968] (the "Cash Collateral Motion") seeking authority to enter into this
15 agreement. The Committee filed a response to the Cash Collateral Motion. *See* Docket No. 3000.
16 Following a hearing on September 6, 2019, the Bankruptcy Court entered an order granting the
17 Cash Collateral Motion. *See* Docket No. 3022.

18 On December 28, 2019, the Debtors and the Prepetition Secured Creditors entered into a
19 stipulation to authorize the Debtors' continued use of cash collateral to continue to fund the
20 Hospitals' operations and preserve the value of the Debtors' bankruptcy estates (the "Estates")
21 under an amended agreement and pursuant to new operational milestones [Docket Nos. 3871,
22 3872] (the "First Cash Collateral Stipulation"). The Committee filed an opposition, and the
23 Debtors filed a reply. *See* Docket Nos. 3880, 3882. On December 30, 2019, the Bankruptcy Court
24 entered an order approving the First Cash Collateral Stipulation. *See* Docket No. 3883.

25 On January 31, 2020, the Debtors and the Prepetition Secured Creditors entered into a
26 second stipulation to authorize the Debtors' continued use of cash collateral to enable the Hospitals
27 to continue to operate pursuant to new operational milestones [Docket No. 4019] (the "Second
28

1 Cash Collateral Stipulation”). On January 31, 2020, the Bankruptcy Court entered an order
2 approving the Second Cash Collateral Stipulation. *See* Docket No. 4028.

3 On February 28, 2020, the Debtors and their prepetition secured creditors entered into a
4 third stipulation to authorize the Debtors’ continued use of cash collateral for the benefit of the
5 Hospitals and their stakeholders pursuant to new operational milestones [Docket No. 4184] (the
6 “Third Cash Collateral Stipulation”). On February 28, 2020, the Bankruptcy Court entered an
7 order approving the Third Cash Collateral Stipulation. *See* Docket No. 4187. Subsequent to the
8 order’s entry, the Committee filed an objection to the Third Cash Collateral Stipulation. *See*
9 Docket No. 4199. Both the Debtors and the Prepetition Secured Creditors filed replies. *See* Docket
10 Nos. 4225, 4226. On March 11, 2020, the Bankruptcy Court held a hearing on the Third Cash
11 Collateral Stipulation, and on March 12, 2020, entered an order overruling the Committee’s
12 opposition. *See* Docket No. 4261.

13 On May 1, 2020, the Debtors and the Prepetition Secured Creditors entered into a fourth
14 stipulation to authorize the Debtors’ continued use of cash collateral to ensure the Debtors could
15 continue to operate pending the closing of the sales of their remaining Hospitals and pursuit of a
16 plan of liquidation pursuant to new operational milestones [Docket No. 4669] (the “Fourth Cash
17 Collateral Stipulation”). On May 1, 2020, the Bankruptcy Court entered an order approving the
18 Fourth Cash Collateral Stipulation. *See* Docket No. 4670.

19 **B. Motion to Implement Key Employee Incentive Plan and Key Employee Retention**
20 **Plan**

21 On October 23, 2018, the Debtors filed a motion [Docket No. 631] (the “KEIP/KERP
22 Motion”) to implement a key employee incentive plan [Docket No. 631-1] (the “KEIP”) and a key
23 employee retention plan [Docket No. 631-2] (the “KERP”). The KEIP and KERP are designed to
24 incentivize performance and ensure that the Debtors’ key employees remain employed by the
25 Debtors during the Chapter 11 Cases until the Debtors’ Hospitals are fully liquidated. On
26 November 28, 2018, the Court granted the KEIP/KERP Motion. *See* Docket No. 893.

1 The KEIP and KERP participants are only entitled to payments if the Debtors meet certain
2 milestones to ensure that the payments serve the dual purposes of retaining critical employees and
3 appropriately incentivizing meeting case goals and objectives. The triggers for payments under the
4 KEIP are tied to the timing and value received from the sales of the Hospitals and performance
5 under the budget set forth in the DIP Credit Agreement. The triggers for the KERP are certain
6 milestones where the applicable employee remains employed. The applicable KEIP participants
7 were paid a 15% salary bonus for meeting the budget goals in the DIP Credit Agreement. The OCH
8 and SLRH KEIP participants were paid an additional 15% bonus because the sale of OCH and
9 SLRH closed before March 31, 2019.

10 The VHS KEIP participants may receive bonuses tied to the percentage of their salaries
11 based on ranges of sale proceeds of the Debtors' assets, with milestones of \$300 million, \$500
12 million, \$700 million, and \$950 million. Similarly, the Seton, SFMC, and SVMC KEIP
13 participants may earn up to an additional 15% bonus because the sale of those facilities.

14 On October 4, 2019, the Debtors filed a motion [Docket No. 3240] to implement an
15 amendment to the KEIP (the "First Amended KEIP"), solely with respect to one provision related
16 to the date of the sale of the Debtors' assets, which impacted the bonuses for seven
17 management-level employees who continued to work diligently at the Debtors' remaining unsold
18 hospitals/dialysis center. Specifically, the Debtors requested modification of the "trigger" date for
19 the 15% bonus from March 31, 2019 to December 31, 2019. On November 8, 2019, the Court
20 granted the Debtors' motion to implement the First Amended KEIP. *See* Docket No. 3565.

21 Following SGM's failure to close the SGM Sale (*see* Section V.H.4, *infra*), the Debtors
22 were forced to implement "Plan B," as authorized by the Bankruptcy Court. *See* Docket No. 3784.
23 Accordingly, on February 12, 2020, the Debtors filed a motion [Docket No. 4081, refiled at 4086]
24 to implement a further amendment to the KEIP (the "Second Amended KEIP") and an amendment
25 to the KERP (the "First Amended KERP") to incentivize, reward, and retain certain key employees
26 that remain with the Debtors during or otherwise through culmination of such process.

27 Specifically, under the KEIP:
28

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

- the KEIP participants (those designated insiders employed on the hospital facility level) may receive, under the applicable program, two payments: a) a relatively small bonus equal to 2.5% of the participant's salary if the Debtors meet budget targets under the existing cash collateral order; and b) a separate (larger) bonus equal to 22.5% of the participant's salary payable upon disposition of the facility that employs that person. This is similar to the original structure, which paid a bonus for the Debtors remaining in compliance under the DIP Financing budget and provided a larger bonus upon the sale of their hospital employer; and
- the VHS KEIP participants (those designated insiders at the VHS level), who oversee all of the Debtors, remain necessary for the disposition of the remaining hospital assets and to bring about a conclusion of these Cases, and have received no bonuses to date under the KEIP or First Amended KEIP, will be entitled to bonuses in two parts: a) payment equal to 10% of that VHS KEIP participant's salary (20% for upper level insider employees) upon approval of the sale of SFMC, and b) up to a maximum equal to 50% of salary (or 100%, for the upper level insider employees) with respect to the collective value of all hospital and Foundation asset dispositions. It should be noted that the maximum bonus is payable only if the total sale proceeds equal or exceed \$800 million, and there will be no second (*i.e.*, "b") bonus unless incremental sale proceeds are \$310 million above the \$290 million already achieved in the Chapter 11 Cases.

Specifically, under the KERP (the program for critical non-insiders), a new pool of \$756,000 would be available to eligible employees, divided in two parts, a) \$406,000 for standard bonus payments payable to seven (7) specific persons employed at VHS and VBS, and b) \$350,000 for discretionary payments for other persons not yet-identified and who may include non-insiders anywhere in the system. The standard pool allows for bonuses that total up to 30% of each listed KERP participant's salary, which is in turn divided in two installments, i) 1/10 of the 30% bonus payable within ten (10) business days of entry of the order approving the amendments and ii) the

1 9/10 balance payable upon the KERP participant's termination. The discretionary pool similarly
2 permits up to 30% of salary of yet-identified persons. The structure is akin to the original proposal,
3 albeit with the expansion of the number of participants.

4 On March 18, 2020, the Court granted the Debtors' motion to implement the Second
5 Amended KEIP and the First Amended KERP. *See* Docket No. 4290.

6 **C. Motion to Reject Integrity Management Agreement**

7 On September 21, 2018, the Debtors filed a motion [Docket No. 254] to reject the
8 Management Agreement with Integrity. As of July 27, 2018, shortly before the Petition Date, the
9 Debtors estimated that Integrity management fees from fiscal years 2016 through 2019 would total
10 nearly \$157 million. The Debtors determined that they could achieve significant
11 cost-savings—approximately \$20 million annually—by employing directly the CEO, COO, CFO,
12 and CMO and rejecting the Management Agreement. Pursuant to the Conditions, and following a
13 formal request by the Debtors, the Attorney General approved termination of the Management
14 Agreement. *See* Docket No. 627. On November 8, 2018, the Bankruptcy Court entered an order
15 [Docket No. 794] granting the Debtors' motion to reject the Management Agreement.

16 **D. Estate Professionals, the Committee, and the Patient Care Ombudsman**

17 On October 30, 2018, the Bankruptcy Court entered orders approving the employment of
18 the following professionals to the Debtors: (i) Dentons US LLP, as lead counsel [Docket No. 712];
19 and (ii) Nelson Hardiman, LLP, as special healthcare regulatory counsel [Docket No. 713]. On
20 November 5, 2018, the Bankruptcy Court entered an order [Docket No. 767] approving the
21 employment of Cain Brothers, a Division of Keybank Capital Markets, Inc. ("Cain"), as investment
22 banker. On November 7, 2018, the Bankruptcy Court entered an order [Docket No. 785] approving
23 the employment of Berkeley Research Group, LLC, as financial advisor to the Debtors; and on
24 November 22, 2019, the Bankruptcy Court entered an order [Docket No. 3682] authorizing
25 expansion of the scope of their services to provide a Chief Financial Officer to the Debtors. On
26 November 14, 2018, the Bankruptcy Court entered an order [Docket No. 818] approving the
27 employment of Pachulski Stang Ziehl & Jones LLP, as special conflicts counsel to the Debtors. On
28

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 August 7, 2019, the Bankruptcy Court entered an order [Docket No. 2862] approving the
2 employment of Jeffer Mangels Butler & Mitchell LLP, as special labor counsel to the Debtors. On
3 January 24, 2020, the Bankruptcy Court entered an order [Docket No. 3988] approving the
4 employment of Kansas City Series of Lockton Companies, LLC, as advisor to the Debtors in the
5 disposition of Marillac. On February 27, 2020, the Bankruptcy Court entered an order [Docket No.
6 4182] approving the employment of Bartko Zankel Bunzel & Miller as special labor and
7 employment counsel. On May 1, 2020, the Bankruptcy Court entered an order [Docket No. 4668]
8 approving the employment of Davis Wright Tremaine LLP (“DWT”) as special healthcare
9 regulatory counsel, which was sought primarily because of lead attorney Hope Levy-Biehl and her
10 team’s transition to DWT from Nelson Hardiman LLP.

11 Additionally, on October 1, 2018, the Debtors filed a motion [Docket No. 364] to employ
12 various ordinary course professionals. On October 29, 2018, the Bankruptcy Court entered an
13 order [Docket No 693] granting the motion. Since the Petition Date, the Debtors have employed,
14 pursuant to various filings, approximately 40 ordinary course professionals that provide an array of
15 important services to the Debtors in the ordinary course of business, including legal, accounting,
16 and consulting services.

17 On September 17, 2018, the U.S. Trustee appointed [Docket No. 197] an Official
18 Committee of Unsecured Creditors (the “Committee”) to represent the interests of general
19 unsecured creditors. The Committee comprises the following nine members: (i) Aetna Life
20 Insurance Company, (ii) Allscripts Healthcare, LLC, (iii) CNA, (iv) Iris Lara, (v) Medline
21 Industries, Inc., (vi) PBGC, (vii) SEIU United Healthcare Workers West, (viii) Sodexo Operations,
22 LLC and (ix) St. Vincent IPA Medical Corporation. On November 6, 2018, the Bankruptcy Court
23 entered an order [Docket No. 778] approving the employment of Milbank, Tweed, Hadley &
24 McCloy LLP, as lead counsel to the Committee. On November 14, 2018, the Bankruptcy Court
25 entered an order [Docket No. 822] approving the employment of FTI Consulting, Inc., as financial
26 advisor to the Committee. On March 5, 2019, the Bankruptcy Court entered an order [Docket No.

1 1703] approving the employment of Arent Fox LLP, as special healthcare counsel to the
2 Committee.

3 The U.S. Trustee appointed Dr. Jacob Nathan Rubin, MD, FACC, (the “Patient Care
4 Ombudsman”) to serve as the patient care ombudsman in these Chapter 11 Cases, pursuant to §
5 333(a), in accordance with the order [Docket No. 430] entered by the Bankruptcy Court on October
6 9, 2018. On November 2, 2018, the Bankruptcy Court entered orders approving the employment of
7 the following professionals to the Patient Care Ombudsman: Levene, Neale, Bender, Yoo & Brill
8 LLP, as bankruptcy counsel [Docket No. 751]; and Dr. Tim Stacy DNP, ACNP-BC, as consultant
9 [Docket No. 753]. The Patient Care Ombudsman has filed ten reports in the Chapter 11 Cases
10 [Docket Nos. 1019, 1475, 1525, 2085, 2522, 2849, 3230, 3741, 4042, 4445, 4848].

11 **E. Administrative Matters, Reporting and Disclosures**

12 The Debtors were required to address the various administrative matters attendant to the
13 commencement of these Chapter 11 Cases, which required an extensive amount of work by the
14 Debtors’ employees and their professionals. These matters included the preparation of the
15 *Schedules of Assets and Liabilities* and *Statements of Financial Affairs* for each of the Debtors’
16 seventeen Chapter 11 Cases (*see, e.g.*, Docket No. 514), and preparation of the materials required
17 by the U.S. Trustee, including, without limitation, the 7-Day Package.

18 The Debtors have made every effort to comply with their duties under §§ 521, 1106 and
19 1107 and all applicable U.S. Trustee guidelines, including the filing of the Debtors’ monthly
20 operating reports with the U.S. Trustee. *See* Docket Nos. 771, 945, 1172, 1174, 1453, 1670, 2008,
21 2287, 2478, 2653, 2825, 2972, 3217, 3525, 3730, 3915, 4035, 4198, 4388, 4657, 4833. The
22 Debtors also attended their initial interview with the U.S. Trustee and the meeting of creditors
23 required under § 341(a).

24 **F. The SCC Sale**

25 On October 1, 2018, the Debtors filed a motion [Docket No. 365] (the “SCC Sale Motion”)
26 requesting entry of an order (i) authorizing the proposed sale (the “SCC Sale”) of OCH and SLRH
27 to the County of Santa Clara, a political subdivision of California (“SCC”), (ii) approving the form
28

1 of the Asset Purchase Agreement between SCC and certain Debtors (the “SCC APA”), (iii)
2 approving certain procedures governing the SCC Sale process (the “SCC Bid Procedures”), and
3 (iv) approving certain procedures governing assumption and rejection of Executory Agreements in
4 connection with the SCC Sale.

5 On October 31, 2018, the Bankruptcy Court entered an order [Docket No. 724] approving
6 the SCC Bid Procedures. The order provided that all objections to the proposed SCC Bid
7 Procedures were overruled, remaining objections concerning the proposed SCC Sale were
8 premature, and that the Attorney General’s request to continue the hearing on the SCC Bid
9 Procedures was denied. *See* Docket No. 724 at 4-5.

10 On November 12, 2018, the Debtors filed a notice [Docket No. 810] to counterparties of
11 Executory Agreements that may be assumed and assigned in connection with the SCC Sale. The
12 Debtors filed a supplemental notice [Docket No. 998] on December 6, 2018 and an amended notice
13 [Docket No. 1110] on December 19, 2018. Certain counterparties to executory agreements filed
14 objections (collectively, the “SCC Cure Objections”) to the notices concerning assumption and
15 assignment. *See* Docket Nos. 882, 889, 904-05, 913-14, 919, 920-21, 923, 928-29, 931, 946, 970,
16 986, 1016, 1018, 1043, 1046, 1057-59, 1062, 1068-69, 1070-71, 1080, 1085, 1088-89, 1091-96,
17 1120-21. More recently, on February 24, 2020, the Debtors filed an omnibus motion [Docket No.
18 4139] to reject various additional OCH and SLRH agreements, which the Bankruptcy Court
19 granted [Docket No. 4304] on March 19, 2020.

20 On December 7, 2018, the Debtors filed a notice [Doc. 1005] that the Debtors did not
21 receive any bids pursuant to the SCC Bid Procedures, and, thus, the Debtors would not conduct an
22 auction.

23 On December 19, 2018, the Bankruptcy Court held a hearing to approve the SCC Sale
24 pursuant to the SCC Sale Motion. At the hearing, the Bankruptcy Court considered the SCC Cure
25 Objections as well as certain objections (collectively, the “SCC Sale Objections”) to the SCC Sale
26 as well as any withdrawals thereof. *See* Docket Nos. 437, 447, 562, 613, 463, 599, 605, 608, 619,
27 450, 458, 460, 465, 597, 439, 460, 452, 561, 444, 561, 592, 500, 906, 1057-62, 1067-71. The
28

1 Attorney General was among the parties that filed as SCC Sale Objection (the “Attorney General
2 SCC Objection”). As set forth in further detail, below, the Bankruptcy Court overruled the SCC
3 Sale Objections.

4 On December 21, 2018, the Bankruptcy Court entered an order [Docket No. 1125] notifying
5 the parties of the Bankruptcy Court’s intent to authorize the Debtors to sell OCH and SLRH free
6 and clear of the Conditions and requesting briefing. SCC [Docket No. 1136], the Committee
7 [Docket No. 1137], the Debtors [Docket No. 1139], and the Attorney General [Docket No. 1140]
8 filed responses to the Bankruptcy Court’s order.

9 On December 26, 2018, the Bankruptcy Court entered a memorandum of decision [Docket
10 No. 1146] overruling the Attorney General SCC Objection. On December 27, 2018, the
11 Bankruptcy Court entered an order [Docket No. 1153] granting the SCC Sale Motion and
12 approving the SCC Sale (the “SCC Sale Order”).

13 On January 7, 2019, the Attorney General appealed the Sale Order and the memorandum
14 decision overruling the Attorney General SCC Sale Objection [Docket No. 1146] to the District
15 Court (the “Attorney General Appeal”). See Case No. 2:19-cv-00133-DMG, Docket No. 1 (C.D.
16 Cal. Jan. 7, 2019). On January 9, 2019, the Attorney General filed a motion [Docket No. 1219] for
17 stay pending appeal in the Bankruptcy Court and requested that the Bankruptcy Court hold a
18 hearing on shortened notice [Docket No. 1220]. The Bankruptcy Court denied the request for
19 shortened notice [Docket No. 1226] and set the hearing on the motion for January 30, 2019. The
20 Debtors [Docket No. 1302] and the Committee [Docket Nos. 1303, 1318] filed objections to the
21 motion, and SCC joined in the Debtors’ objection [Docket No. 1334]. The Attorney General filed
22 its reply brief [Docket No. 1365] on January 25, 2019. At the hearing on January 30, 2019, the
23 Court denied the motion for stay pending appeal, and entered its order [Docket No. 1464]
24 memorializing the decision on February 5, 2019.

25 On February 1, 2019, the Attorney General filed a motion in District Court to stay the
26 effectiveness of the Sale Order pending the appeal. See Case No. 2:19-cv-00133-DMG, Docket
27 No. 6 (C.D. Cal. Feb. 1, 2019). On February 22, 2019, the District Court entered an order denying
28

1 the motion for stay pending appeal. *See id.*, Docket No. 32. On March 20, 2019, the parties filed a
2 stipulation to dismiss the appeal, which was approved by order entered April 3, 2019. *See id.*,
3 Docket Nos. 40, 41.

4 On January 2, 2019, the Debtors filed motions under § 1113 to reject, modify, and terminate
5 certain collective bargaining agreements between either OCH or SLRH and Local 20, CNA,
6 CLVNA, and SEIU effective upon the closing of the SCC Sale. *See* Docket Nos. 1181, 1182, 1191,
7 1192. CNA and SEIU filed objections on January 16, 2019 [Docket Nos. 1269, 1271] and the
8 Debtors filed an omnibus reply brief [Docket No. 1331] on January 23, 2019. As a result of
9 negotiations, two Unions (Local 20 and CLVNA) reached consensual resolutions with the Debtors,
10 and agreed not to oppose the motions subject to certain clarifications of the requested relief. On
11 February 19, 2019, the Bankruptcy Court entered orders granting the rejection motions. *See*
12 Docket Nos. 1575, 1576, 1577, 1578

13 The SCC Sale closed on February 28, 2019. After payment of certain cure costs, closing
14 costs and other items, the net remaining proceeds were approximately \$184.38 million, which are
15 held in four sale proceeds accounts. An additional \$23.35 million is held in escrow (the
16 “Post-Closing Escrow”) by First American Title Insurance Company, the escrow agent. The
17 Post-Closing Escrow was established pursuant to the terms of the SCC APA, as security for the
18 Debtors’ post-closing obligations and expires in February 2020. In accordance with the SCC APA,
19 the Debtors and SCC entered into a transition services agreement.

20 **G. Motions Related to Verity Medical Foundation**

21 The Debtors have taken certain steps to wind down the Debtor Verity Medical Foundation
22 (“VMF”). For example, VMF entered into settlements and asset purchase agreements with Union
23 Square Hearing, Inc. [Docket Nos. 2439, 2693], San Jose Medical Group and Silicon Valley
24 Medical Development, LLC (“SVMD”) [Docket Nos. 1636, 1919], Oncology Technology
25 Associates, LLC [Docket Nos. 1635, 1915], and All Care Medical Group, Inc. [Docket Nos. 1180,
26 1368]. The Debtors also rejected a professional services agreement with All Care Medical Group,
27 Inc. [Docket Nos. 576, 1622] and a lease with NMSBPCSLDHB LP [Docket No. 3602]; assumed
28

1 and assigned a system implementation agreement with IDX Information Systems Corporation to
2 SVMD [Docket No. 3521]; and filed notices of intent to abandon certain property of VMF which is
3 of inconsequential value or benefit to the Estates [Docket Nos. 2590, 2648, 3602]. The Debtors
4 also obtained approval of an agreement with Centurion Service Group, Inc. ("Centurion")
5 permitting Centurion to sell, dispose of or move furniture and fixtures, medical equipment and
6 office equipment, including three MRI machines. *See* Docket Nos. 2244, 2429.

7 **H. The SGM Sale**

8 **1. The Asset Purchase Agreement and Bidding Procedures**

9 On January 8, 2019, Strategic Global Management, Inc. ("SGM") executed an asset
10 purchase agreement (the "SGM APA") with the Debtors, and thereby committed itself to acquire
11 SFMC, SVMC, and Seton (the "Remaining Hospitals") for the amount of \$610,000,000, plus
12 assumption of certain liabilities, and payment of cure costs associated with any assumed leases,
13 contracts and assumption of other obligations. *See* Docket No. 2305. After payment of the
14 estimated amount of certain cure costs, closing costs and other items, the net remaining proceeds
15 from the SGM Sale were estimated to be approximately \$532 million, based on a number of
16 assumptions and estimates.

17 On January 17, 2019, the Debtors filed a motion [Docket No. 1279] (the "SGM Sale
18 Motion") requesting entry of an order (i) authorizing the proposed sale (the "SGM Sale") of the
19 Remaining Hospitals to SGM, (ii) approving the form of the SGM APA, (iii) approving certain
20 procedures governing the SGM Sale process (the "SGM Bid Procedures"), and (iv) approving
21 certain procedures governing assumption and rejection of Executory Agreements in connection
22 with the SGM Sale. The proposed sale was the product of more than six months of marketing
23 efforts lead by the Debtors' investment banker, Cain, and involved more than 110 potential
24 purchasers.

25 On February 19, 2019, the Bankruptcy Court entered an order [Docket No. 1572] approving
26 the SGM Bid Procedures. The order provided that all objections to the proposed SGM Bid
27 Procedures were overruled and the remaining objections concerning the proposed SGM Sale were
28

premature. *See* Docket No. 724.

On April 4, 2019, the Debtors filed a notice [Doc. 2053] that no auction would be held and that the stalking horse bid submitted by SGM was the winning bid. On May 2, 2019, the Bankruptcy Court entered an order [Docket No. 2306] (the “SGM Sale Order”) granting the SGM Sale Motion and approving the SGM Sale.

2. Transfer of the Provider Agreements

The SGM APA contained provisions requiring the transfer of the Medicare and Medi-Cal provider agreements (the “Provider Agreements”) to SGM. The Debtors sought to sell the Provider Agreements, as licenses, free and clear of the Debtors’ liabilities to DHCS, pursuant to § 363. The California Department of Health Care Services (“DHCS”) argued that the Provider Agreements were executory contracts [Docket No. 3043] not licenses. The Bankruptcy Court ruled [Docket No. 3146] (the “Transfer Decision”) in favor of the Debtors (i) finding that the Medi-Cal Provider Agreements were licenses, (ii) expressly cutting off all creditors’ recoupment rights against SGM based on the Debtors’ liabilities, and (iii) finding that the free and clear provisions of the SGM Sale Order applied to applied to DHCS (and the transfer of the Medi-Cal Provider Agreements), had not been appealed, and was, therefore, final.⁶

3. The Attorney General Conditions and Related Orders

On May 7, 2019, VHS provided notice to, and requested written consent from, the Attorney General for the proposed SGM Sale. *See* Docket No. 2379. On September 25, 2019, the Attorney General consented to the SGM Sale subject to certain conditions (the “Additional Conditions”). *See* Docket No. 3188, Exhibit B. On September 30, 2019, the Debtors filed an emergency motion [Docket No. 3188] (the “AG Motion”), requesting that the Bankruptcy Court enter an order finding that the SGM Sale was “free and clear of the Additional Conditions.” The Attorney General [Docket No. 3333], SEIU [Docket No. 3324], and UNAC [Docket No. 3325] opposed the AG

⁶ ~~DCHS~~DHCS appealed the Transfer Decision to the District Court, but voluntarily dismissed such appeal upon ~~being rendered moot by SGM’s failure to close entry of the order [Docket No. 3787] approving the settlement between the Debtors and DHCS with respect to~~ the SGM Sale that, among other things, vacated the Transfer Decision. *See* Case No. 2:19-cv-08762-JVS, Docket Nos. 1-2, 8.

1 Motion. The Committee [Docket No. 3320] supported the AG Motion, as did SGM [Docket No.
2 3356].

3 On October 23, 2019, the Bankruptcy Court entered a memorandum of decision [Docket
4 No. 3446] (the “AG Memo Decision”): (1) holding that the Additional Conditions were interests in
5 property under § 363(f) and that the Hospitals could be sold to SGM free and clear of them; (2)
6 granting the AG Motion; (3) directing the Debtors to lodge an order consistent with the ruling; and
7 (4) certifying its ruling for direct appeal to the Ninth Circuit.

8 The Attorney General agreed not to appeal, but instead worked with all parties to create an
9 order that (1) granted the AG Motion and the relief sought therein without compromise (*i.e.*,
10 imposing no additional conditions), and (2) would not prejudice the Attorney General in future
11 bankruptcy cases. The Debtors and the Attorney General worked diligently for ten days to satisfy
12 SGM’s concerns regarding the wording of a proposed order granting the AG Motion (the “AG
13 Proposed Order”). *See* Docket No. 3573.

14 On November 8, 2019, the Debtors and the Attorney General filed a stipulation [Docket No.
15 3572] (the “AG Stipulation”), pursuant to which: (i) the Attorney General agreed the AG Motion
16 would be granted and waived any appeal; (ii) the Debtors and the Attorney General agreed that the
17 AG Memo Decision would be vacated and withdrawn; and (iii) the AG Proposed Order would
18 incorporate the language of Section 8.6 nearly verbatim. The AG Stipulation was submitted along
19 with a notice [Docket No. 3573]: (i) requesting that the Bankruptcy Court approve it on an
20 expedited basis; and (ii) lodging the AG Proposed Order.

21 On November 11, 2019, SGM filed an objection [Docket No. 3582] (the “SGM Objection”)
22 to the AG Proposed Order and lodged a competing order. The Debtors [Docket No. 3586] and the
23 Committee [Docket No. 3590] filed responses.

24 On November 13, 2019, the Bankruptcy Court held a hearing on the AG Stipulation,
25 following which the Debtors and the Attorney General agreed to certain minor modifications
26 [Docket No. 3610] to the AG Proposed Order at the Bankruptcy Court’s suggestion, and the
27 Bankruptcy Court overruled the SGM Objection.
28

On November 14, 2019, the Bankruptcy Court entered the AG Proposed Order, as modified [Docket No. 3611] (the “Nov. 14 Order”), in part vacating and withdrawing the AG Memo Decision. *See also* Docket No. 3599.

On November 15, 2019, the Debtors filed a motion [Docket No. 3621] to continue upcoming deadlines related to the Debtors’ previously filed disclosure statement and hold the November 20, 2019 hearing as a status conference because SGM indicated it would send the Debtors correspondence material to the Sale.

On November 18, 2019, the Bankruptcy Court entered an order [Docket No. 3633] (the “Nov. 18 Order”) that provided, in relevant part, that:

The Debtors have complied with their obligation under the APA to obtain a final, non-appealable Supplemental Sale Order. Consequently, SGM is now obligated to promptly close the SGM Sale, provided that all other conditions to closing have been satisfied.

The Bankruptcy Court also entered a memorandum of decision [Docket No. 3632]. On November 29, 2019, SGM appealed the Nov. 14 Order (Case No. 2:19-cv-10352-DSF, the “Nov. 14 Order Appeal”) and the Nov. 18 Order (Case No. 2:19-cv-10354-DSF, the “Nov. 18 Order Appeal”). *See* Docket Nos. 3726-27.

4. The Failure to Close

On November 27, 2019, the Bankruptcy Court entered an order [Docket No. 3724] (the “Nov. 27 Order,” and together with the Nov. 14 Order and the Nov. 18 Order, the “Appealed Orders”), finding that SGM was obligated to close the SGM Sale by no later than December 5, 2019. The Bankruptcy Court also issued a memorandum of decision [Docket No. 3723], stating that (1) it had “previously found that the conditions precedent to closing set forth in [Section] 8.6 of the APA have been satisfied”; (2) “[a]ll other conditions precedent to closing were satisfied as of November 19, 2019”; and (3) “[t]he Debtors materially complied with Article 8.7 by obtaining an order authorizing the transfer of the Medi-Cal Provider Agreements free and clear of any interest asserted by the DHCS.”

On December 3, 2019, SGM appealed the Nov. 27 Order (Case No. 2:19-cv-10356-DSF, the “Nov. 27 Order Appeal,” and together with the Nov. 14 Order Appeal and the Nov. 18 Order

1 Appeal, the “Appeals”). Docket No. 3746. SGM did not seek a stay pending appeal. SGM did not
2 close the Sale on December 5, 2019, or thereafter.

3 On January 3, 2020, the Debtors filed a notice [Docket No. 3899] indicating that the SGM
4 APA had been terminated effective as of December 27, 2019.

5 **5. The SGM Litigation**

6 **a. *The Appeals***

7 On December 10, 2019, the Debtors filed a motion to dismiss the Nov. 14 Order Appeal.
8 *See* Nov. 14 Order Appeal, Docket No. 2. On December 17, 2019, the Committee filed a joinder in
9 the motion, and SGM filed an opposition against. *See id.*, Docket Nos. 10, 12. On December 19,
10 2019, the Debtors and Committee replied to SGM’s opposition. *See id.*, Docket Nos. 17-18. On
11 December 20, 2019, the District Court denied the Debtors’ emergency motion to dismiss the Nov.
12 14 Order Appeal. *See id.*, Docket No. 19.

13 On December 19, 2019, the Debtors filed an emergency motion to dismiss both the Nov. 18
14 Order Appeal and the Nov. 27 Order Appeal. *See* Nov. 18 Order Appeal, Docket No. 13; Nov. 27
15 Order Appeal, Docket No. 11. On December 20, 2019, the District Court denied the Debtors’
16 motion to dismiss, declining to consider it on an emergency basis. *See* Nov. 18 Order Appeal,
17 Docket No. 16; Nov. 27 Order Appeal, Docket No. 14.

18 On January 17, 2020, the District Court entered an order: (1) granting SGM’s motion to
19 consolidate the Appeals under Case No. 2:19-cv-10352-DSF; and (2) granting the Committee’s
20 motion to intervene as an appellee in the Appeals. *See* Appeals, Docket No. 33.

21 On May 14, 2020, the District Court entered orders dismissing all three Appeals as moot.
22 *See* Docket Nos. 4715-17; Appeals, Docket No. 59. On June 11, 2020, the District Court entered
23 orders vacating the Appealed Orders. *See* Appeals, Docket No. 65.

24 **b. *The Adversary Proceeding***

25 On January 3, 2020, the Debtors commenced an adversary proceeding (the “Adversary
26 Proceeding”) against SGM and others, alleging, *inter alia*, breaches of the SGM APA and
27 promissory fraud. *See* Docket No. 3901; *see also* Adv. Pro. No. 2:20-ap-01001-EJR, Docket No. 1.
28

1 On February 9, 2020, the Committee sought to intervene in the proceeding [Adv. Docket No. 27],
2 which the District Court granted on February 14, 2020 [Adv. Docket No. 34]. On January 22, 2020,
3 SGM and its co-defendants sought withdrawal of the reference of the adversary proceeding from
4 the Bankruptcy Court [Adv. Docket No. 20; Case No. 2:20-cv-00613-DSF, Docket 1], which the
5 District Court granted on March 5, 2020 [Case No. 2:20-cv-00613-DSF, Docket 23].

6 On February 19, 2020, defendants had filed a motion to strike [Adv. Docket No. 39] and a
7 motion to dismiss [Adv. Docket No. 40] the Complaint. On March 4, 2020, plaintiffs filed
8 oppositions to both [Adv. Docket Nos. 55, 56]. On March 11, 2020, defendants filed their reply in
9 the new District Court case. *See* Case No. 2:20-cv-00613-DSF, Docket No. 27. The Debtors filed
10 their first amended complaint on March 11, 2020. *See id.*, Docket No. 29. On April 14, 2020, the
11 District Court entered an order granting the parties' joint stipulation to stay the adversary
12 proceeding pending resolution of the pending appeals. *See id.*, Docket No. 36.

13 The Plan classifies all claims held by the Estates against SGM, its affiliates, and any other
14 Person concerning the SGM APA and the SGM Sale as the "SGM Claims."

15 The Plan Proponents acknowledge that SGM disputes the Debtors' claim to the Deposit,
16 and SGM contends that the Deposit must be returned to SGM. The Debtors and the Plan
17 Proponents dispute the contentions and claims of SGM to the Deposit, and contend that the Deposit
18 is an asset of the Debtors' estates, free and clear of any rights or claims of SGM, and should be
19 distributed in accordance with the Plan. As provided in the Plan, on the Effective Date, all rights of
20 the Debtors against SGM, including, without limitation, all rights to recover the Deposit, are being
21 transferred to the Liquidating Trust. The Plan shall be amended to provide, and the Confirmation
22 Order shall state, that the Liquidating Trust shall not distribute the Deposit to creditors in
23 accordance with the Plan or take any other action which would reduce or dissipate the Deposit,
24 unless permitted by a judgment or an order entered by the District Court having jurisdiction over
25 the Adversary Proceeding, and such judgment or order has not been stayed. In the event an appeal is
26 taken from any such judgment or order, the party taking the appeal shall have the right to seek a stay
27 pursuant to the applicable Federal Rules of Civil Procedure and Federal Rules of Appellate
28

Procedure. Nothing contained in the Plan or the Disclosure Statement shall modify, alter or change the rights of the Debtors and the Liquidating Trust, on the one hand, and SGM, on the other hand, to any claim or rights to the Deposit. All such claims and rights are expressly reserved and preserved.

I. Disposition of the Remaining Hospitals

On December 9, 2019, the Bankruptcy Court entered an order [Docket No. 3784] that permitted the Debtors to undertake efforts with respect to alternative disposition of the Remaining Hospitals without violating their obligations under the SGM APA.

1. St. Vincent Medical Center

a. *The Closure Plan*

On January 6, 2020, the Debtors filed an emergency motion [Docket No. 3906] (the “Closure Motion”) to close SVMC and St. Vincent Dialysis Center, Inc. (together, “St. Vincent”), because of SGM’s failure to close, the hospital’s ongoing economic losses, and the Debtors’ need to have sufficient cash on hand for the orderly closure of the hospital. Oppositions were filed by CNA [Docket No. 3914], Dr. Marc Girsky on purported behalf of the St. Vincent medical staff [Docket No. 3916], and Dr. Narinder Batra on purported behalf of St. Vincent physicians [Docket No. 3926].

On January 9, 2020, the Bankruptcy Court entered a memorandum of decision [Docket No. 3933] and order [Docket No. 3934] granting the Closure Motion. In the period that followed, the Debtors implemented the Court-approved closure plan, regarding which the Debtors filed regular progress status reports [Docket Nos. 3982, 4053, 4126, 4219, 4308, 4410]. On March 19, 2020, the Debtors reported that they had completed the closure plan. *See* Docket No. 4309.

In connection therewith, the Bankruptcy Court also entered orders [Docket Nos. 4009-11, 4027] authorizing the Debtors to reject certain agreements related to St. Vincent. Subsequently, the Debtors filed one motion [Docket No. 4051], five omnibus motions [Docket Nos. 4054-55, 4073, 4133], and six stipulations [Docket Nos. 4002-04, 4020, 4080, 4100] concerning rejections of certain additional agreements related to St. Vincent. The Bankruptcy Court entered orders approving all twelve filings [Docket Nos. 4009-11, 4027, 4091, 4107, 4129, 4220-22, 4303]. The

1 Bankruptcy Court entered an order [Docket No. 4340] approving a settlement with SEIU related to
2 the SVMC closure.

3 On February 25, 2020, the Debtors filed a motion [Docket No. 4151] seeking to reject a
4 Provider Agreement HMO Commercial Capitated Hospital (the “Capitation Agreement”), and to
5 enforce the automatic stay against California Physicians’ Service d/b/a Blue Shield of California
6 (“Blue Shield”), the Capitation Agreement counterparty, based upon Blue Shield’s failure to remit
7 to the Debtors the final capitation payment due under the Capitation Agreement in connection with
8 health care services St. Vincent provided to members enrolled in various Blue Shield health benefit
9 plans. Blue Shield did not oppose rejection, but did object to the Debtors’ other request [Docket
10 No. 4204]. The Debtors filed a reply [Docket No. 4245] to which Blue Shield filed evidentiary
11 objections [Docket No. 4270]. The Bankruptcy Court entered an order [Docket No. 4298] adopting
12 its ruling [Docket No. 4282], authorizing rejection of the provider agreement, and further directing
13 Blue Shield to pay St. Vincent capitation payments, but declining to hold Blue Shield in contempt
14 for allegedly violating the stay.

15 The Debtors and SEIU entered into an agreement [Docket No. 4265] for consensual
16 modification of the applicable collective bargaining agreement in connection with the closure of St.
17 Vincent. The Bankruptcy Court approved the settlement on March 24, 2020 [Docket No. 4340].

18 **b. The CNA Litigation**

19 On March 5, 2020, CNA filed an adversary proceeding against eight of the Debtors, Messrs.
20 Adcock and Sharrer as individuals, and “Does 1 through 500.” *See* Docket No. 4218; *see also* Adv.
21 Pro. No. 2:20-ap-01051-ER, Docket No. 1. In the Complaint, CNA accuses the defendants of
22 violating the Federal Worker Adjustment and Retraining Notification (“WARN”) Act, 29 U.S.C.
23 §§ 2101, *et seq.*, the California WARN Act, California Labor Code §§1400, *et seq.*, and California
24 state tortious misrepresentation law in connection with the termination of employment of
25 CNA-represented employees resulting from the closure of St. Vincent. *See id.* On April 6, 2020,
26 defendants filed motions to dismiss the adversary proceeding for, among other reasons,
27 inapplicability of the WARN Acts to liquidating fiduciaries, and failure to state claims for
28

1 intentional or negligent misrepresentation. *See* Adv. Pro. No. 2:20-ap-01051-ER, Docket Nos.
2 12-13. On May 12, 2020, CNA filed its opposition to defendants' motions to dismiss. *See id.*,
3 Docket No. 24. On May 22, 2020, defendants filed their reply. *See id.*, Docket Nos. 25, 27. The
4 Bankruptcy Court has previously determined the motion to dismiss to be suitable for disposition
5 without oral argument. *See id.*, Docket No. 18.

6 After having filed the Complaint, on March 19, 2020, CNA sought to withdraw the
7 reference of the adversary proceeding to the District Court. *See id.*, Docket No. 9; Case No.
8 2:20-cv-02623-SVW, Docket No. 1 (C.D. Cal.). On May 4, 2020, defendants filed oppositions to
9 withdrawal of the reference. *See* Case No. 2:20-cv-02623-SVW, Docket Nos. 16-17 (C.D. Cal.).
10 CNA filed its reply on May 11, 2020. *See* Case No. 2:20-cv-02623-SVW, Docket No. 20 (C.D.
11 Cal.).

12 The litigation commenced by CNA is currently stayed because the parties have agreed to
13 participate in mediation scheduled in July 2020. *See* Case No. 2:20-cv-02623-SVW, Docket Nos.
14 24, 27 (C.D. Cal.).

15 The parties, with Bankruptcy Court approval, have agreed to stay the adversary proceeding
16 until the District Court rules on CNA's motion to withdraw. *See* Adv. Pro. No. 2:20-ap-01051-ER,
17 Docket Nos. 28-29. The next status conference in the adversary proceeding is scheduled for
18 August 18, 2020. *Id.*

19 **c.** *The State Lease Agreement*

20 On March 19, 2020, the Debtors filed an emergency motion [Docket Nos. 4302, 4309] (the
21 "COVID-19 Arrangements Motion") to, among other things, authorize VHS and SVMC to enter
22 into a Master Lease Agreement (the "SVMC Lease") with the State of California, in connection
23 with the State's efforts to address the COVID-19 pandemic and for monthly payments of \$2.6
24 million, for certain property located on the SVMC campus at 2131 West Third Street, Los Angeles,
25 California. On March 20, 2020, the Court entered an order [Docket No. 4315] granting the
26 COVID-19 Arrangements Motion and approving the SVMC Lease.

27 **d.** *The Asset Sales*
28

On March 30, 2020, the Debtors filed an emergency motion [Docket Nos. 4365, 4379, 4397] to approve, among other things, bidding procedures for the sale (the “SVMC Sale”) of certain assets related to SVMC. On April 1, 2020, the Bankruptcy Court entered an order [Docket No. 4398] approving the bidding procedures.

On April 9, 2020, the Debtors filed a notice [Docket No. 4517] to counterparties of Executory Agreements that may be assumed and assigned in connection with the SVMC Sale, which they amended on April 10, 2020 [Docket No. 4533].

The SVMC Sale motion makes clear that the stalking horse bidder intends to take assignment of the SVMC Lease. The State of California filed a response and reservation of rights [Docket No. 4442] emphasizing its understanding that any SVMC Sale will be consistent with the SVMC Lease and the COVID-19 Arrangements Order.

Limited responses and objections were filed to the SVMC Sale by SEIU, Belfor USA Group, Inc., and the Attorney General [Docket Nos. 4456, 4462, 4474]. On April 10, 2020, the Debtors filed a memorandum [Docket No. 4518] in support of the SVMC Sale, which the Committee joined [Docket No. 4519]. On April 10, 2020, the Bankruptcy Court entered an order [Docket No. 4530] approving the SVMC Sale to the Chan Soon-Shiong Family Foundation or its designee(s).

2. St. Francis Medical Center

On February 10, 2020, the Debtors filed a motion [Docket No. 4069] to approve, among other things, bidding procedures for the sale (the “SFMC Sale”) of certain assets related to SFMC. Objections and reservations of rights were filed by UnitedHealthcare Insurance Company (“UHC”) [Docket No. 4106], the Secured 2015 Notes Trustee [Docket No. 4108], SEIU [Docket No. 4119]. The Debtors filed an omnibus reply and supplement in support of the motion [Docket No. 4132]. On February 26, 2020, the Court entered an order [Docket No. 4165] approving the bidding procedures and setting a hearing on the SFMC Sale.

On March 13, 2020, the Debtors filed a notice [Docket No. 4267] to counterparties of Executory Agreements that may be assumed and assigned in connection with the SFMC Sale.

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 Certain counterparties to executory agreements filed objections (collectively, the “SFMC Cure
2 Objections”) to the notices concerning assumption and assignment. *See* Docket Nos. 4354, 4366,
3 4371, 4391-92, 4403, 4405-09, 4414-16, 4418-27, 4443, 4628, 4824. The Debtors filed an
4 irrevocable designation [Docket No. 4504] concerning the assumption and assignment of the UHC
5 agreement on April 9, 2020. SFMC and United Healthcare have stipulated [Docket No. 4846] to
6 deem all the contracts between them rejected as of the closing of the SFMC Sale.

7 In furtherance of the SFMC Sale, the Debtors entered into certain stipulations [Docket Nos.
8 4279, 4317, 4348] to resolve or continue certain objections thereto. SEIU [Docket No. 4495] and
9 UNAC [Docket No. 4498] filed objections to the SFMC Sale, and Hooper Healthcare Consulting,
10 LLC filed a limited response [Docket No. 4463]. On April 7, 2020, the Debtors filed a notice
11 [Docket No. 4465] that Prime Healthcare Services, Inc. (“Prime”) was the winning bidder and no
12 auction would be held. On April 8, 2020, the Debtors filed a memorandum [Docket No. 4471] in
13 support of the SFMC Sale. On April 9, 2020, the Debtors filed an irrevocable designation [Docket
14 No. 4504] concerning the assumption and assignment of the UHC agreement in connection with the
15 SFMC Sale. On April 9, 2020, the Bankruptcy Court entered an order [Docket No. 4511]
16 approving the SFMC Sale to Prime. As set forth in the order [Docket No. 4952] approving the
17 stipulation [Docket No. 4951] between the Plan Proponents and the Attorney General, nothing in
18 this Disclosure Statement shall modify or amend paragraph 38 of the SFMC Sale Order, which
19 shall remain in full force and effect.

20 On May 13, 2020, the Debtors sought [Docket No. 4708] authority to confidentially
21 disclose information concerning the non-qualifying bids to the Attorney General, which the
22 Attorney General opposed [Docket Nos. 4718, 4721] based on, among other things, the Attorney
23 General’s allegation that the Attorney General had sole authority to make confidentiality
24 determinations, under state law, with respect to information provided in the course of the Attorney
25 General review process. The Debtors [Docket No. 4780], UMB and Wells Fargo [Docket No.
26 4720], and the Committee [Docket No. 4723] filed replies to the Attorney General, who
27 supplemented his objection on May 22, 2020 [Docket No. 4773]. On May 27, 2020, the
28

1 Bankruptcy Court granted the Debtors' motion [Docket No. 4796]. The Debtors and the Attorney
2 General have stipulated [Docket No. 4847] that the Attorney General's review period under 11 Cal.
3 Code Regs. § 999.5(e)(1)(A) commenced on April 17, 2020.

4 On May 19, 2020, the Debtors filed a motion, pursuant to § 1113, to reject, effective upon
5 the closing of the SFMC Sale, the collective bargaining agreements between SFMC and each of
6 SEIU [Docket No. 4741] and UNAC [Docket No. 4742]. On May 29, 2020, SEIU [Docket No.
7 4806] and UNAC [Docket No. 4800] objected to the respective rejection motions. On June 11,
8 2020, the Bankruptcy Court entered orders [Docket Nos. 4861-62] (i) rejecting the contention that
9 the Debtors cannot, under the terms of or context surrounding the asset purchase agreement, satisfy
10 the requirements of § 1113, and (ii) setting a final hearing for July 8, 2020, on issues that remain in
11 dispute.

12 3. Seton Medical Center

13 The COVID-19 Arrangements Motion, filed by the Debtors on March 19, 2020, also sought
14 authorization for VHS and Seton to enter into a Service Agreement (the "Seton Services
15 Agreement") with the State of California providing for the delivery of COVID-19 related
16 healthcare services, for monthly payments of up to \$5 million, at the general acute care hospital
17 operated by Seton located at 1900 Sullivan Avenue, Daly City, California. The Court's March 20
18 order [Docket No. 4315] approved the Seton Services Agreement.

19 On March 29, 2020, the Debtors filed a motion [Docket No. 4360] to approve, among other
20 things, the private sale of certain assets related to SMC (the "Seton Sale") to AHMC Healthcare
21 Inc. ("AHMC"). The Committee filed a response to the motion [Docket No. 4528]. The Seton
22 medical staff [Docket Nos. 4413, 4561] and the NUHW [Docket No. 4600] submitted their support
23 for the Seton Sale. Objections were also filed. *See* Docket No. 4467, 4477, 4492, 4503, 4534,
24 4546. The Debtors entered into stipulations with the Attorney General [Docket No. 4496] and
25 other parties [Docket Nos. 4583, 4591-92] relating to the Seton Sale. The State of California filed a
26 response and reservation of rights [Docket No. 4565] emphasizing its understanding that any Seton
27
28

1 Sale will be consistent with the Seton Services Agreement and the COVID-19 Arrangements
2 Order.

3 On April 30, 2020, the Debtors filed a notice [Docket No. 4658] to counterparties of
4 Executory Agreements that may be assumed and assigned in connection with the Seton Sale.
5 Certain counterparties to executory agreements filed objections (collectively, the “Seton Cure
6 Objections”) to the notices concerning assumption and assignment. *See* Docket Nos. 4675,
7 4677-78, 4681-82, 4686, 4688, 4690, 4692-93, 4727-28, 4731, 4733-34, 4736, 4745, 4748-49,
8 4824.

9 On April 13, 2020, the Debtors filed a notice of intent [Docket No. 4557] to abandon any
10 claim to, or interest in, certain real property located at 25 San Fernando Way, Daly City, California,
11 which Holdings had erroneously received a claim to. The Debtors noticed their intention to execute
12 a quitclaim deed to clear such mistaken title. The Debtors had previously, on December 18, 2019,
13 provided notice [Docket No. 3823] of their intent to abandon certain personal property located at
14 their Seton Coastside campus, consisting of patient room furniture no longer in usable condition.

15 On April 23, 2020, the Bankruptcy Court entered an order [Docket No. 4634] approving the
16 Seton Sale. As set forth in the order [Docket No. 4952] approving the stipulation [Docket No.
17 4951] between the Plan Proponents and the Attorney General, nothing in this Disclosure Statement
18 shall modify or amend paragraph 35 of the Seton Sale Order, which shall remain in full force and
19 effect.

20 **J. Transfer of the Provider Agreements**

21 **1. The Medi-Cal Provider Agreements and DHCS Settlement**

22 The Sales contemplate the transfer of the SFMC Medi-Cal Provider Agreements and Seton
23 Medi-Cal Provider Agreements to Prime and AHMC, respectively. On June 17, 2020, DHCS filed
24 objections [Docket Nos. 4891, 4892] to the transfer of the Medi-Cal Provider Agreements pursuant
25 to the SFMC Asset Purchase Agreement and Seton Asset Purchase Agreement. In the objections,
26 DHCS contended, among other things, that: (i) the Provider Agreements are executory contracts
27 subject to assumption and assignment; (ii) DHCS’s audits of Seton’s and SFMC’s Medi-Cal
28

1 payment claims do not violate the automatic stay; and (iii) the terms of the SFMC Asset Purchase
2 Agreement and Seton Purchase Agreement must be stayed if the Court denies DHCS's requested
3 payments of Seton's and SFMC's Medi-Cal obligations.

4 The Debtors and DHCS have reached a settlement in principle concerning the transfer of
5 Medi-Cal Provider Agreements in connection with the SFMC Sale and the Seton Sale that will,
6 among other things, resolve the DHCS objections. See Docket No. 4977. The principal terms of
7 the proposed settlement (the "DHCS Settlement") are as follows: (i) the Medi-Cal Provider
8 Agreements will be transferred to Prime and AHMC, respectively, free and clear of liens, claims,
9 interests and successor liability for any obligations arising prior to the transfer of the Provider
10 Agreements from SFMC and Seton, respectively, except the Quality Assurance Fee obligations; (ii)
11 the Quality Assurance Fee obligations are being paid by the Debtors as they come due before the
12 sale closing and will be assumed and paid by the respective buyers after the sale closing; (iii) DHCS
13 agrees to resolve claims against the Debtors related to SFMC and/or Seton based upon the payment
14 terms set forth below, among other settlement terms. In exchange, the Debtors agree to transfer the
15 Provider Agreements pursuant to § 365. Additionally, the Debtors will pay DHCS the following
16 amounts as "cure" payments: (i) with regard to Seton, the Debtors will pay DHCS a total of
17 \$119,823.40 as cure for all Medi-Cal claims (unrelated to Quality Assurance Fee obligations)
18 against Seton; and (ii) with regard to SFMC, the Debtors will withdraw a pending appeal related to
19 a Medi-Cal audit, thereby waiving arguments related to approximately \$25 million previously
20 withheld against SFMC Medi-Cal receivables, and pay approximately \$11.89 million as cure for all
21 Medi-Cal claims (unrelated to Quality Assurance Fee obligations) against SFMC. Additionally,
22 pursuant to the DHCS Settlement (and terms of the Medi-Cal Provider Agreements and applicable
23 law as DHCS contends), the SFMC Asset Purchase Agreement and Seton Asset Purchase
24 Agreement, in both Sales the Debtors are obligated to make any payments for Quality Assurance
25 Fees that are due and owing before each Sale closes; any such obligations that become due and
26 owing after each Sale closes are the obligation of Prime or AHMC, respectively.

2. The Medicare Provider Agreements

The transfer of the Debtors' two Medicare Provider Agreements pursuant to: (a) the Seton Asset Purchase Agreement, dated March 30, 2020 [Docket No. 4360], entered into by and between AHMC, as buyer, and Seton and certain other Debtors, as sellers; and (b) the SFMC Asset Purchase Agreement, dated April 3, 2020 [Docket No. 4471], entered into by and between Prime, as buyer, and SFMC and certain other Debtors, as sellers, is the subject of ongoing settlement discussions and negotiations between HHS and the Debtors. The parties have entered into various stipulations and orders extending the time to file supplemental briefing and continuing the hearing date on the Medicare Provider Agreement transfer issue. Currently, pursuant to an order approving the parties' further stipulation entered on June 18, 2020 [Docket No. 4902], the hearing date on the Medicare Provider Agreements transfer issue is July 15, 2020 at 10:00 a.m. Thus, further governmental approval is necessary before the Medicare Provider Agreements may be transferred consensually to AHMC or Prime. HHS reserves the right to assert that its proofs of claim constitute secured claims as of the Petition Date to the extent of its setoff rights, pursuant to § 506(a). The Debtors and HHS are currently engaged in settlement discussions concerning a mutually agreeable resolution to the Medicare Provider Agreements transfer issue.

K. ~~J.~~ Patient Records

In connection with ordinary course business administration as well as the various dispositions of assets, the Debtors have sought authority to dispose of or transfer patient records in their possession.

On August 14, 2019, the Debtors filed a motion [Docket No. 2893] for an order authorizing them to dispose of patient records from Robert F. Kennedy Medical Center, which were retained by DCHS in 2004 at the hospital's closing, and transferred to VHS in 2015. The Bankruptcy Court entered an order [Docket No. 3032] granting the motion on September 10, 2019. On October 9, 2019, the Debtors sought [Docket Nos. 3336, 3354] to destroy residual, mostly older patient records that were not transferred as part of the SCC Sale as the Debtors would have neither need for the records nor resources to store them. The Bankruptcy Court entered an order [Docket No. 3597]

1 granting the motion on November 13, 2019. On October 9, 2019, the Debtors sought [Docket Nos.
2 3337, 3355] authority to dispose of certain business and non-patient records in a manner modified
3 from their current records retention policies given the nature of the cases. The Bankruptcy Court
4 entered an order [Docket No. 3596] granting the motion on November 13, 2019.

5 On September 25, 2019, the Debtors sought [Docket Nos. 3140, 3172] to enter into records
6 retention support services with GRM Information Management Services of California, LLC. The
7 Bankruptcy Court approved [Docket No. 3396] the requested relief on October 17, 2019.

8 **L. ~~K.~~ Old Republic Accommodations**

9 The Debtors' workers' compensation policy with Old Republic was set to expire on July 1,
10 2019. Old Republic agreed to continue to provide coverage through January 1, 2020, following
11 Bankruptcy Court approval of certain accommodations requested by Old Republic. *See* Docket
12 Nos. 2654, 2803. Also, to provide sufficient collateral to secure a replacement letter of credit
13 necessary to renew the workers' compensation policy, the Debtors filed a supplemental insurance
14 motion [Docket No. 2672], requesting authority to make a capital contribution to Marillac. The
15 Bankruptcy Court entered an order [Docket No. 2802] granting the supplemental insurance motion
16 on July 26, 2019.

17 Following the expiration of the continued coverage by Old Republic, the Debtors entered
18 into a new workers' compensation policy with the State Compensation Insurance Fund for the term
19 January 1, 2020 through January 1, 2021.

20 **M. ~~L.~~ Retirement Benefit Plans**

21 The Debtors will withdraw from or terminate their remaining retirement defined benefit
22 plans upon the closing of the sale of hospitals that provide such a plan. Towards that end, the
23 Debtors will seek rejection, termination or consensual modification of collective bargaining
24 agreements that provide for Debtor contribution to defined benefit retirement plans. Throughout
25 this case, the Debtors have made all requisite postpetition contributions to the RPHE
26 multiemployer defined benefit plan with respect to active CNA members (the plan is was frozen for
27 others prepetition). Based upon information and belief, all requisite contributions have been made
28

1 to the RPHE. Further all contributions have been made to another defined benefit plan, the Local
2 39 Plan, through the Chapter 11 Cases and no amounts are currently due and owing. In 2019, the
3 PBGC ~~took over the Debtors' single employer defined benefit plan~~ trusteed the Single-Employer
4 Plans. In addition, in 2019 by agreement of various parties, the Debtors closed their program for
5 Retiree Health Plan Benefits ("RHP") that was being utilized by fewer than 20 persons. To the
6 extent that formal termination of the RHP is needed, the Debtors reserve the right to seek such relief
7 under the Plan or by motion under § 1114 and RHP beneficiaries will receive resolution of their
8 claims under the terms of the Plan or under a separate order from the Bankruptcy Court. Amounts
9 contributed prepetition into the section 457(b) Plan have been will be returned to the Estates and for
10 distributed to creditors participants in accordance with applicable law.

11 N. ~~M.~~ Motions for Relief From the Automatic Stay and Non-Bankruptcy Proceedings

12 Verity has and continues to manage approximately 67 cases filed in the California Superior
13 and federal district courts, including 51 cases filed in the Los Angeles Superior Court, seven cases
14 filed in the San Mateo Superior Court, six cases filed in the Santa Clara Superior Court, one case
15 filed in the San Bernardino Superior Court, and two cases filed in the United States District Court
16 for the Northern District of California. During the course of the Chapter 11 Cases, the Debtors have
17 resolved 14 superior court cases, which has effectively reduced the amount of claims asserted
18 against the Estates by approximately \$18 million.

19 Commencing in December 2018, the Debtors have responded to 31 motions for relief from
20 the automatic stay, in each of which motions a movant has sought relief from § 362 in order to
21 resolve the amount of their claim in a forum outside the Bankruptcy Court.⁷ The Bankruptcy Court
22 has granted each of those motions, in many instances in accordance with stipulations reached
23 between the Debtors and the movants. In the vast majority of those motions, the movant sought
24 recovery *only* from applicable insurance, if any, and waived any deficiency or other claim against
25

26 ⁷ On June 2, 2020, a creditor filed a motion for relief from stay in order to effectuate a setoff
27 between cash credits and claims against the Estates. See Docket Nos. 4821-23, 4825, 4834.
28 The parties are currently working to resolve the motion, absent which a hearing has been
scheduled for June 29, 2020.

1 the Debtors or property of their Estates. In those few cases where a movant sought a deficiency
2 claim, relief from stay was granted on the basis that the stay would remain in effect as to the
3 enforcement of any resulting judgment against the Debtors or their Estates, the movants retaining
4 the right to file a proof of claim and/or an adversary complaint under § 523 or § 727 in the Chapter
5 11 Cases. No such adversary complaints have been filed. Six of these cases have been resolved.

6 In those cases where relief from stay has been granted, or where a complaint has been filed
7 on the basis of post-petition conduct, Verity has engaged counsel to represent Verity and its related
8 debtors. In a majority of cases where relief from stay has *not* been granted, the Debtors file Case
9 Management Reports, as required.

10 The Debtors also (i) address workers' compensation matters and labor grievances, (ii)
11 defend an administrative action with the Board of Pharmacy of the Department of Consumer
12 Affairs for the State of California, which the Debtors expect to resolve favorably, and (iii) continue
13 to respond to subpoenas for employment and medical records.

14 ~~N.~~ **Motions to Approve Settlements**

15 The Debtors obtained Bankruptcy Court approval of the following settlements and
16 compromises pursuant to Bankruptcy Rule 9019:

17 On October 4, 2018, the Debtors filed a motion [Docket No. 410] (the "Local 39 Settlement
18 Motion") to approve a compromise between OCH, SLRH, and Seton, on the one hand, and Local
19 39, on the other hand, that provided for the consensual modification of collective bargaining
20 agreements between the parties. The Bankruptcy Court granted the Local 39 Settlement Motion.
21 *See* Docket No. 410.

22 On February 20, 2019, the Debtors filed a motion [Docket No. 1591] (the "Medline
23 Settlement Motion") to approve a compromise with Medline Industries, Inc. ("Medline")—one of
24 the Debtors' most important medical supply vendors—resolving Medline's prepetition claims and
25 preserving the parties going-forward business relationship. The Bankruptcy Court granted the
26 Medline Settlement Motion on March 22, 2019. *See* Docket No. 1887. On May 20, 2020, Medline
27 filed a motion [Docket No. 4754] seeking to compel payment of its § 503(b)(9) Claim, which the
28

1 Committee supported [Docket No. 4836], and the Debtors, the Master Trustee, and the 2005
2 Revenue Bonds Trustee opposed [Docket Nos. 4794-95]. The Court denied Medline's motion at
3 the hearing on June 10, 2020.

4 On April 8, 2019, the Debtors filed a motion [Docket No. 2084] (the "SIS Settlement
5 Motion") to approve a compromise with Surgical Information Systems, LLC that allowed SCC to
6 assume certain critical software licenses and ensure that the SCC Sale closed without disruption.
7 The Bankruptcy Court granted the SIS Settlement Motion. *See* Docket No. 2097.

8 On April 10, 2019, the Debtors and the Committee filed a joint motion [Docket No. 2112]
9 (the "St. Vincent IPA Settlement Motion") for authority to enter into a settlement agreement with
10 St. Vincent IPA Medical Corporation ("St. Vincent IPA"). On September 7, 2018, St. Vincent IPA
11 had filed a motion [Docket No. 109] (the "St. Vincent IPA Expedited Relief Motion") to shorten
12 the Debtors' time to assume or reject the St. Vincent IPA Agreement to October 15, 2018. St.
13 Vincent IPA also filed an application [Docket No. 111] to shorten notice of the hearing on the St.
14 Vincent IPA Expedited Relief Motion, which the Debtors opposed [Docket No. 146]. On
15 September 10, 2018, the Bankruptcy Court entered an order [Docket No. 149] denying St. Vincent
16 IPA's application to shorten notice and set the matter for regular briefing. On September 19, 2018,
17 the Debtors filed their opposition [Docket No. 212]. On September 26, 2018, the Committee filed a
18 response [Docket No. 301] and St. Vincent IPA filed a reply brief [Docket No. 306]. The parties
19 entered into negotiations and requested that the Bankruptcy Court not rule on the pleadings to allow
20 the parties to reach a mutual settlement. On April 3, 2019, the parties entered into the settlement
21 agreement, which (i) allowed St. Vincent IPA, a critical vendor, to receive a \$596,816 payment for
22 certain prepetition amounts, (ii) allowed continuation of risk sharing between St. Vincent IPA and
23 the Debtors, and (iii) provided for an agreed mechanism to resolve overpayments or underpayments
24 pursuant a Healthcare Services Risk Sharing Agreement (the "St. Vincent IPA Agreement"). The
25 Bankruptcy Court granted the St. Vincent IPA Settlement Motion. *See* Docket No. 2371. On
26 February 24, 2020, St. Vincent IPA filed a motion [Docket No. 4146] to enforce the St. Vincent
27 IPA Agreement by requiring the Debtors to make a payment thereunder; the Debtors objected to St.
28

1 Vincent IPA's interpretation that any payment was owing [Docket No. 4214], St. Vincent IPA
2 replied [Docket No. 4255], and the Bankruptcy Court granted the motion [Docket No. 4353] and
3 ordered the Debtors to make a certain payment thereunder.

4 On April 30, 2019, the Debtors filed a motion [Docket No. 2285] (the "Premier Settlement
5 Motion") to approve a compromise with Premier, Inc., Premier Services, LLC, Premier Healthcare
6 Alliance, L.P., Premier Healthcare Solutions, Inc., and each of Premier, Inc.'s other subsidiaries
7 (collectively, "Premier"). The settlement agreement provides for (i) the satisfaction of Premier's
8 claims and the Debtors' counterclaims, (ii) the resolution of issues regarding Premier's and the
9 Debtors' post-petition relationship, and (iii) the Debtors to recover value from the current and
10 future disposition of certain limited partnership interests that may be worth approximately \$7.4
11 million before payment of cure costs. The Bankruptcy Court granted the Premier Settlement
12 Motion. *See* Docket No. 2461.

13 On June 28, 2019, the Debtors filed a motion [Docket No. 2644] (the "Smith & Nephew
14 Settlement Motion") to approve a compromise with Smith & Nephew, Inc. that resolved disputes
15 regarding ownership of a certain NAVIO surgical system located at OCH and preserved the parties'
16 going-forward business relationship. The Bankruptcy Court granted the Smith & Nephew
17 Settlement Motion. *See* Docket No. 2793.

18 On July 3, 2019, the Debtors filed a motion [Docket No. 2670] (the "DMH Settlement
19 Motion") to approve a compromise with the County of Los Angeles Department of Mental Health
20 that allowed the County of Los Angeles to dismiss an appeal brought on behalf of the Debtors in
21 exchange for the modification of the parties' Legal Entity Agreement such that the Debtors would
22 receive \$215,590 in additional funding. The Bankruptcy Court granted the DMH Settlement
23 Motion. *See* Docket No. 2814.

24 On September 4, 2019, the Debtors filed a motion [Docket No. 3011] (the "RadNet
25 Settlement Motion") to: (1) approve a settlement and asset purchase agreement with RadNet
26 Management, Inc. ("RadNet"), and (2) authorize VMF to sell its right, title, and interest in a certain
27 bank account and any funds deposited in or receivables associated with that account. In connection
28

1 with the winding down of VMF and the prior sale of the Breastlink Medical Group, Inc.
2 (“Breastlink”) oncology services business to Oncology Technology Associates, LLC, the Debtors
3 and RadNet worked together to reconcile various accounts receivable and payable between them.
4 To avoid the administrative burden associated with the ongoing periodic transfer of funds related to
5 the Breastlink business, the settlement agreement provided that the Debtors would transfer title of
6 the account and its proceeds to RadNet in exchange for a one-time payment by RadNet to VMF of
7 \$123,000. The Bankruptcy Court granted the RadNet Settlement Motion. *See* Docket No. 3196.

8 On November 21, 2019, the Debtors filed a motion [Docket No. 3667] (the “LA Care
9 Settlement Motion”) to approve a settlement agreement with Local Initiative Health Authority for
10 Los Angeles County d/b/a L.A. Care Health Plan (“LA Care”). The LA Care settlement agreement
11 resolves disputes arising from no fewer than 3,000 disputed claims for reimbursement submitted by
12 the Hospitals to LA Care for dates of medical services rendered to LA Care’s members between
13 October 1, 2016 and July 18, 2019. The Bankruptcy Court granted the LA Care Settlement Motion.
14 *See* Docket No. 3830.

15 On December 23, 2019, the Debtors filed a motion [Docket No. 3852] (the “Hunt
16 Settlement Motion”) to approve a settlement agreement with Hunt Spine Institute, Inc. (“Hunt”),
17 which resolves Hunt’s prepetition and postpetition claims asserted against VMF. The settlement
18 agreement provided that Hunt would receive an allowed administrative claim in the amount of
19 \$100,000, in exchange for which Hunt would release the Debtors from any liability regarding
20 Hunt’s more than \$3.5 million in asserted prepetition and postpetition claims, and further resolved
21 the Debtors’ claims for alleged overbilling (amounting to as much as \$1.5 million). The
22 Bankruptcy Court granted the Hunt Settlement Motion. *See* Docket No. 3977.

23 P. ~~Q.~~ Other Stipulations

24 On September 12, 2019, the Debtors filed a stipulation they entered into with Long Beach
25 Memorial Medical Center (“LBMMC”) [Docket No. 3053], resolving the proof of claim LBMMC
26 filed against the Debtors. Pursuant to the stipulation, the parties agreed to allowing the asserted
27 claim as a general unsecured claim, and LBMMC withdrew its assertion that any of the claim was
28

entitled to administrative priority under §503(b)(9) and 507(a)(2) for goods delivered within 20 days of the Petition. On September 13, 2019, the Bankruptcy Court approved the stipulation. *See* Docket No. 3061.

On March 4, 2020, the Debtors filed a stipulation they entered into with CenturyLink Communications, LLC [Docket No. 4212] resolving cure claims related to the SCC Sale and reconciling terms of its continued provision of goods and services in connection with the disposition of the Remaining Hospitals. The Bankruptcy Court approved the stipulation on March 5, 2020. *See* Docket No. 4216.

Q. P. Debtors' Adversary Proceedings and Appeals

Below is a description of additional litigation relating to the Chapter 11 Cases that have not already been discussed separately above.⁸

1. Heritage Adversary Proceeding

On February 5, 2019, VHS, SVMC, and SFMC filed an adversary proceeding against Heritage Provider Network and an amended complaint was filed on March 11, 2019. *See* Adv. Pro. No. 2:19-ap-01042-ER, Docket Nos. 1, 13. In the Amended Complaint, the Debtor Plaintiffs seek to recover not less than \$4.1 million from defendant for amounts the Debtors allege were improperly deducted by defendant from amounts owing under certain fee for service and capitation agreements. *See id.*, Docket No. 13. On April 12, 2019, defendant filed an answer and affirmative defenses and denied Plaintiffs were entitled to any recovery. *See id.*, Docket No. 22. The parties have periodically stipulated to extended litigation deadlines and trial-related dates, and the current schedule envisions discovery to be completed between September and November 2020, for dispositive motions to be heard by early November 2020, and for the trial to begin in January 2021. *See id.*, Docket No. 54.

⁸ *See* Section V.H.85 regarding active and inactive adversary proceedings and appeals involving SGM; *see* Section V.I.1.b regarding the adversary proceeding involving CNA; *see* Section V.A.7 regarding the appeal by the Committee of the Final DIP Order.

2. Old Republic Adversary Proceeding

On August 31, 2018, the Debtors filed an adversary proceeding against Old Republic and City National Bank (“CNB”). *See* Adv. Pro. No. 2:18-ap-01277-ER, Docket Nos. 1-2. In the Complaint, the Debtors sought to enjoin Old Republic from drawing on a letter of credit issued by CNB relating to the Debtors’ workers’ compensation coverage. *See id.* On October 15, 2018, the Bankruptcy Court entered an order approving a stipulation among the parties, and dismissing the adversary proceeding without prejudice. *See id.*, Docket Nos. 24, 25. The adversary proceeding was closed on November 30, 2018. *See id.*, Docket No. 29.

3. Xue Adversary Proceeding

On December 11, 2018, Baoru Xue filed an adversary proceeding against the Debtors. *See* Adv. Pro. No. 2:18-ap-01433-ER. In the Complaint, plaintiff employee sought damages in the amount of \$29,133.47, alleging that her employer SFMC violated the Fair Labor Standards Act, 29 U.S.C. § 203 *et seq.*, by failing to pay her proper wages. *See id.* On January 25, 2019, plaintiff voluntarily dismissed the adversary proceeding. *See id.*, Docket No. 11. The adversary proceeding was closed on January 25, 2019. *See id.*, Docket No. 12.

4. LA Care Adversary Proceeding

On January 3, 2019, SVMC and SFMC filed an adversary proceeding against LA Care. *See* Adv. Pro. No. 2:19-ap-01002-ER, Docket No. 1. In the Complaint, SVMC and SFMC brought claims for breach of contract, turnover, unjust enrichment, and violations of the automatic stay based on LA Care’s failure to pay for services provided to LA Care members or paying less than the amounts owed for such services. *See id.* SVMC claimed damages in an amount not less than \$4,320,335.32, of which \$1,895,994.64 constituted systematic underpayments. *See id.* SFMC claimed damages in an amount not less than \$21,054,689.63, of which \$12,502,651.97 constituted systematic underpayments. *See id.* On April 15, 2019, the Bankruptcy Court entered an order staying the adversary proceeding pending completion of arbitration. *See id.*, Docket No. 43. On May 1, 2020, the parties filed a stipulation for dismissal of the adversary proceeding with prejudice [Docket No. 58], which the Bankruptcy Court approved [Docket No. 60].

R. ~~Q.~~ Committee's Adversary Proceedings and Other Actions

Pursuant to paragraph 5(e) of the Final DIP Order, the Committee originally had 90 days from the date of its formation—*i.e.*, until December 18, 2018—to challenge Prepetition Liens (as defined in the Final DIP Order) asserted by MOB I and MOB II (the “Original Challenge Deadline”). In advance of the Original Challenge Deadline, the Committee has acknowledged MOB I and MOB II’s valid and perfected security interest in some but not all of the Debtors’ assets (the “Acknowledged Collateral”). *See* Docket Nos. 1045, 1047. On December 13, 2019, the Committee and each of MOB I and MOB II entered into a stipulation to extend the Original Challenge Deadline so that they may continue to discuss the extent and priority of liens with respect to that portion of the Debtors’ assets not included within the Acknowledged Collateral. By mutual agreement between the Committee and each of MOB I and MOB II pursuant to Court-ordered stipulations entered into from time to time [Docket Nos. 1161-62, 1265-66, 1320-21, 1406-07, 1665-66, 1969-70, 2373-74, 2493-94, 2555-56, 2598-99, 2619, 2623, 3020-21, 3236-37, 3548-49, 3772, 3774, 3911-12, 3975-76, 4117-18, 4299-300, 4594-95, 4746-47], the Original Challenge Deadline was extended to June 19, 2020.

Separately, on June 13, 2019, the Committee filed adversary proceedings against U.S. Bank, National Association, in its capacity as 2015 Notes Trustee and 2017 Notes Trustee (Adv. Pro. No. 2-19-ap-01165-ER (“19-01165” or the “USBNA Adversary Proceeding”)) and UMB Bank, N.A., in its capacity as Master Trustee (Adv. Pro. No. 2-19-ap-01166-ER (“19-01166” or the “UMB Adversary Proceeding”)). In both adversary proceedings, the Committee seeks a determination that the applicable Trustee does not have a perfected security interest in deposit accounts, future Quality Assurance Payments and certain other assets. The parties held a mediation conference on September 9, 2019, which was unsuccessful. *See* 19-01165, Docket No. 41; 19-01166, Docket No. 41. On September 11, 2019, the Committee filed an amended complaint. *See* 19-01165, Docket No. 30; 19-01166, Docket No. 28. On September 30, 2019, the respective Trustees each filed a motion to dismiss. *See* 19-01165, Docket No. 39; 19-01166, Docket No. 37. On October 17, 2019, the Committee filed an opposition to the respective motions to dismiss. *See*

1 19-01165, Docket Nos. 42-43; 19-01166, Docket Nos. 42-43. On October 24, 2019, the respective
2 Trustees filed their replies. *See* 19-01165, Docket No. 44; 19-01166, Docket No. 44. On
3 November 18, 2019, the Committee filed an objection to the Trustees' claims in the Chapter 11
4 Cases. *See* Docket No. 3634. On January 6, 2020, the parties reached a stipulation, which the
5 Bankruptcy Court approved on January 7, 2020, agreeing that the hearing on the motion to dismiss
6 would be held in abeyance pending request of any party and/or further order of the Bankruptcy
7 Court, and that the claim objection would be held in abeyance pending resolution of the adversary
8 proceedings. *See* Docket Nos. 3897, 3903; 19-01165, Docket Nos. 52-53; 19-01166, Docket Nos.
9 52-53. Both adversary proceedings are currently set for status conference on July 14, 2020. *See*
10 19-01165, Docket No. 59; 19-01166, Docket No. 59.

11 As described further in Section VII.B.1 below, the Plan provides for a settlement among the
12 Plan Proponents that includes dismissal of the USBNA Adversary Proceeding and the UMB
13 Adversary Proceeding.

14 ~~R.~~ **S. Claims Bar Dates and Reconciliation**

15 **1. General Bar Date**

16 On January 11, 2019, the Debtors filed a motion for an order establishing a bar date for
17 filing proofs of Claim [Docket Nos. 1236, 1348, 1461]. On February 11, 2019, the Court granted
18 the motion and entered an order fixing a general claims bar date of April 1, 2019 [Docket No.
19 1528]. On February 13, 2019, the Debtors filed a notice of bar date [Docket No. 1544], which they
20 (1) served between February 13 and March 2, 2019, on all affected parties and all those parties
21 entitled or requesting to receive notice pursuant to Federal Rule 2002 [Docket Nos. 1864, 2001];
22 (2) published on March 1, 2019, in the Los Angeles Times [Docket No. 1862], the San Francisco
23 Chronicle [Docket No. 1859], and the San Jose Mercury News [Docket No. 1861]; and (3)
24 published on March 4, 2019 in USA Today [Docket No. 1860].

25 On May 24, 2019, the Court entered an order extending the general bar date for Data Breach
26 Claims to September 30, 2019 [Docket No. 2434]. On June 11, 2019, the Court entered an order
27 extending the bar date for employee wage and hour Claims to October 11, 2019 [Docket No. 2537].
28

1 The Debtors filed [Docket Nos. 2676, 2679] and served [Docket Nos. 2831, 2902, 2904, 2937]
2 notice of these extensions.

3 **2. Administrative Bar Date**

4 On August 8, 2019, the Debtors filed the *Motion for Entry of an Order (I) Fixing a Bar Date*
5 *for Filing Certain Postpetition Administrative Expense Claims and (II) Approving the Form of*
6 *Notice of the Administrative Expense Claims Bar Date* [Docket No. 2878], in order to accurately
7 determine the number and types of administrative expense claims that must be addressed in the
8 Plan. On August 28, 2019, the Court granted the motion and entered an order fixing an
9 administrative bar date of October 7, 2019 [Docket No. 2961]. On September 4, 2019, the Debtors
10 filed the notice of administrative bar date [Docket No. 3006], which they (1) served between
11 September 4 and September 12, 2019, on all affected parties and all those parties entitled or
12 requesting to receive notice pursuant to Federal Rule 2002 [Docket No. 3050]; and (2) published on
13 September 5, 2019, in USA Today [Docket No. 3037], the Los Angeles Times [Docket No. 3035],
14 the San Francisco Chronicle [Docket No. 3036], and the San Jose Mercury News [Docket No.
15 3034].

16 Pursuant to stipulations with the Debtors, the Bankruptcy Court authorized the following
17 parties to file any administrative expense claims in accordance with the timeline set forth in the
18 Plan: (1) NantWorks, LLC, NantHealth, Inc., Integrity Healthcare, LLC, Nant Capital, LLC, Verity
19 MOB Financing, LLC, Verity MOB Financing II, LLC, Mox Networks, LLC, and affiliates
20 [Docket No. 3279]; (2) the 2015 Notes Trustee and the 2017 Notes Trustee [Docket No. 3280]; (3)
21 the 2005 Revenue Bonds Trustee and the Master Trustee [Docket No. 3282]; (4) Hooper
22 Healthcare Consulting LLC, Managed Care Support Systems, Inc., and affiliates [Docket No.
23 3317]; (5) Fresenius Medical Care Holdings, Inc. d/b/a Fresenius Medical Care North America and
24 its affiliated entities [Docket No. 3318]; and (6) Old Republic [Docket No. 3319].

25 The Plan contemplates that a deadline will be set by the Bankruptcy Court, not less than 14
26 days prior to the date of the Confirmation Hearing, by which holders of Administrative Claims
27 must assert all Administrative Claims or forever be barred. Such requests for payment may include
28

estimates of amounts through the Effective Date of the Plan. At the Confirmation Hearing, the Bankruptcy Court will determine and approve the amount of funds necessary to be reserved to pay all unpaid Allowed Administrative Claims that will be paid after the Effective Date and All Administrative Claims that are not yet Allowed as of the Effective Date.

3. Claims Objections

The Debtors have been reviewing the proofs of claim filed in the Chapter 11 Cases, and attempting to reconcile them with the Debtors' books and records. Thus far, the Debtors have filed five motions to disallow proofs of claim filed in the Chapter 11 Cases [Docket Nos. 3422-26, 3484-88], which the Bankruptcy Court has granted [Docket Nos. 4170-74]. These efforts alone have reduced the total amount of claims asserted against the Estates by approximately \$555 million. As noted in Section V.M above, the Debtors' efforts in resolving certain nonbankruptcy proceedings have effectively reduced the amount of claims asserted against the Estates by an additional amount of approximately \$18 million.

~~S.~~ The First Plan and Disclosure Statement

On September 3, 2019, the Debtors filed a proposed plan of liquidation [Docket No. 2993] and corresponding disclosure statement [Docket No. 2994], the terms of which were contingent on the closing of the SGM Sale. On September 4, 2019, the Debtors filed a motion [Docket No. 2995] for an order approving (1) the disclosure statement and (2) solicitation, voting, and objection procedures relating to the plan. The Bankruptcy Court continued the hearing on the motion from time to time [Docket Nos. 3120, 3260, 3389, 3506, 3633, 3646, 3724, 3791], and then, on December 26, 2019, entered an order [Docket No. 3859] vacating the hearing.

VI.

PLAN SUMMARY

The following is a summary of the key provisions of the Plan.

A. Administrative Expense and Priority Claims

In accordance with § 1123(a)(1), the following Claims are not classified and are excluded from the Classes set forth in Section VI.B hereof and shall receive the treatment discussed below:

1. Administrative Claims

Except to the extent that the Debtors (or the Liquidating Trustee) and a Holder of an Allowed Administrative Claim agree to less favorable treatment, a Holder of an Allowed Administrative Claim (other than a Professional Claim, which shall be subject to Section 2.2 of the Plan) shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Administrative Claim, Cash equal to the unpaid portion of such Allowed Administrative Claim either (a) on the Effective Date, (b) if the Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their businesses after the Petition Date, in the ordinary course of business in accordance with the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claim, without any further action by the Holder of such Allowed Administrative Claim, (c) on such other date as agreed between the Debtors (or the Post-Effective Date Debtors) and such Holder of an Allowed Administrative Claim, or (d) to the extent the Allowed Administrative Claim had not yet been Allowed on the Effective Date, from the Administrative Claims Reserve pursuant to Sections 7.9(d) and 15.3 of the Plan.

2. Professional Claims

All Professionals seeking an award by the Bankruptcy Court of a Professional Claim (other than the Ordinary Course Professionals) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is sixty (60) days after the Effective Date, and shall receive, in full satisfaction of such Claim, Cash in an amount equal to 100% of such Allowed Professional Claim promptly after entry of an order of the Bankruptcy Court allowing such Claim or upon such other terms as may be mutually agreed-upon between the Holder of such Professional Claim and the Debtors. Objections to any final applications covering Professional Claims must be filed and served on the Post-Effective Date Debtors, the Liquidating Trustee, and the requesting Professional no later than ninety (90) days after the Effective Date (unless otherwise agreed by the requesting Professional).

3. Statutory Fees

All fees required to be paid by 28 U.S.C. § 1930(a)(6) and any interest thereon (“U.S. Trustee Fees”) shall be paid by the Liquidating Trustee in the ordinary course of business until the closing, dismissal or conversion of these Chapter 11 Cases to another chapter of the Bankruptcy Code. Any unpaid U.S. Trustee Fees that accrued before the Effective Date shall be paid no later than thirty (30) days after the Effective Date.

4. Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to less favorable treatment, each Holder of an Allowed Priority Tax Claim shall receive, in full and final satisfaction of such Allowed Priority Tax Claim, at the option of the Plan Proponents or the Liquidating Trustee, as applicable: (a) Cash in an amount equal to such Allowed Priority Tax Claim on, or as soon thereafter as is reasonably practicable, the later of (i) the Effective Date, to the extent such Claim is an Allowed Priority Tax Claim on the Effective Date, and (ii) the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim; or (b) equal annual Cash payments in an aggregate amount equal to the amount of such Allowed Priority Tax Claim, together with interest at the applicable rate pursuant to § 511, over a period not exceeding five (5) years from and after the Petition Date; provided, however, the Debtors and the Liquidating Trustee, as applicable, reserve the right to prepay all or a portion of any such amounts at any time under this option at the discretion of the Plan Proponents and the Liquidating Trustee.

B. Classification of Claims

1. Classification in General

A Claim is placed in a particular Class for all purposes, including voting, confirmation, and distribution under the Plan and under §§ 1122 and 1123(a)(1); provided that a Claim is placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Allowed Claim has not been satisfied, released, or otherwise settled prior to the Effective Date.

2. Grouping of Debtors for Deemed Substantive Consolidation

Consistent with the deemed substantive consolidation of the Debtors, as set forth more fully in Section 7.1 of the Plan, the Plan groups the Debtors together for purposes of describing treatment under the Plan, confirmation of the Plan, and making distributions in accordance with the Plan with respect to Claims against and Interests in the Debtors under the Plan. Accordingly, pursuant to the Plan, the Assets of the Debtors and their Estates, and the Claims against and Interests in the Debtors, will be treated as if the Debtors and their Estates are substantively consolidated on the Effective Date. Notwithstanding the foregoing, such groupings shall not affect any Debtor's status as a separate legal entity, change the organizational structure of the Debtors' business enterprise, constitute a change of control of any Debtor for any purpose, cause a merger or consolidation of any legal entities, or cause the transfer of any Assets. Except as otherwise provided by or permitted under the Plan, all Debtors shall continue to exist as separate legal entities after the Effective Date.

3. Summary of Classification.

The following table designates the Classes of Claims against each of the Debtors and specifies which of those Classes are (a) Not Impaired by the Plan, (b) Impaired by the Plan, and (c) entitled to vote to accept or reject the Plan in accordance with § 1126. In accordance with § 1123(a)(1), Administrative Claims, Professional Claims, Statutory Fees, and Priority Tax Claims, have not been classified. All of the potential Classes for the Debtors are set forth herein. Certain of the Debtors may not have holders of Claims in a particular Class or Classes, and such Classes shall be treated as set forth in Section 3.5 of the Plan.

<i>All Debtors</i>			
Class	Designation	Impairment	Entitled to Vote
1A	Other Priority Claims	Not Impaired	No (deemed to accept)
1B	Secured PACE Tax Financing Claims	Not Impaired	No (deemed to accept)
2	Secured 2017 Revenue Notes Claims	Impaired	Yes
3	Secured 2015 Revenue Notes Claims	Impaired	Yes
4	Secured 2005 Revenue Bond Claims	Impaired	Yes
5	Secured MOB I Financing Claims	Impaired	Yes
6	Secured MOB II Financing Claims	Impaired	Yes
7	Secured Mechanics Lien Claims	Impaired	Yes
8	General Unsecured Claims	Impaired	Yes

9	Insured Claims	Impaired	Yes
10	2016 Data Breach Claims	Impaired	Yes
11	Subordinated General Unsecured Claims	Impaired	No (deemed to reject)
12	Interests	Impaired	No (deemed to reject)

4. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors or the Liquidating Trust, with respect to any Unimpaired Claims, including legal and equitable defenses to, or setoffs or recoupments against, any such Unimpaired Claims.

5. Elimination of Vacant Classes

Any Class of Claims that, as of the commencement of the Confirmation Hearing, that does not have at least one (1) Holder of a Claim in an amount greater than zero for voting purposes shall be considered vacant, deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies § 1129(a)(8) with respect to that Class.

C. Treatment of Claims

In full and final satisfaction of all of the Claims against the Debtors (except with respect to Unclassified Claims that are satisfied as noted above), the Claims shall receive the treatment described below. Except to the extent expressly provided in Section 4 of the Plan, the timing of distributions is addressed in Section 8.3 of the Plan. A chart summarizing the current asserted Claims in each class and the current estimate of the amount of Claims that will ultimately become Allowed Claims is set forth below, although the ultimate amount of Claims which become Allowed Claims could be higher or lower than the estimates below:

<u>Class</u>	<u>Designation</u>	<u>Asserted Claims (Per KCC)</u>	<u>Estimated Allowed Claims</u>
1A	Priority Non-Tax Claims (1)	\$ 155,384,184	\$ 4,000,000
1B	Secured PACE Tax Financing Claims	\$ 43,013,555	\$ 42,700,000
2	Secured 2017 Revenue Note Claims	\$ 42,253,750	\$ 42,000,000
3	Secured 2015 Notes Claims	\$ 161,041,177	\$ 160,000,000
4	Secured 2005 Revenue Bond Claims	\$ 261,897,375	\$ 259,445,000

5	Secured MOB I Financing Claims	\$	46,363,096	\$	46,363,096
6	Secured MOB II Financing Claims	\$	20,061,919	\$	20,061,919
7	Secured Mechanics Lien Claims	\$	2,187,017	\$	2,187,017
8	General Unsecured Claims	\$	5,831,000,000	\$	710,000,000
9	Insured Claims		N/A		N/A
10	2016 Data Breach Claims		N/A		N/A
11	Subordinated General Unsecured Claims		N/A		N/A
12	Interests		N/A		N/A

(1) Excludes Trade and Tax claims
(2) Asserted claim includes priority and general unsecured claims

1. Class 1A: Priority Non-Tax Claims

- a. *Classification.* Class 1A consists of Priority Non-Tax Claims.
- b. *Treatment.* Except to the extent that a Holder of a Priority Non-Tax Claim agrees to a less favorable treatment of such Claim, each such Holder shall receive payment in Cash in an amount equal to the amount of such Allowed Claim, payable on the later of the Effective Date and the date that is fourteen (14) Days after the date on which such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, in each case, or as soon as reasonably practicable thereafter in accordance with the priority scheme set forth in the Bankruptcy Code.
- c. *Voting.* Class 1A is Unimpaired. Holders of Priority Non-Tax Claims are deemed to have accepted the Plan, pursuant to § 1126(f), and are not entitled to vote to accept or reject the Plan.

2. Class 1B: Secured PACE Tax Financing Claims

- a. *Classification.* Class 1B consists of the Secured PACE Financing Claims.
- b. *Treatment.* Each Allowed Secured PACE Tax Financing Claim shall be paid in accordance with the *Order Approving Stipulation Resolving California Statewide Communities Development Authority Lien Release Pursuant to the Proposed Sale of Certain of the Debtors' Assets Related to Seton Medical Center* [Docket No. 4613].
- c. *Voting.* Class 1B is Unimpaired. Holders of Secured PACE Tax Financing Claims are deemed to have accepted the Plan, pursuant to § 1126(f), and are not entitled to vote to accept or reject the Plan.

3. Class 2: Secured 2017 Revenue Notes Claims

- a. *Classification.* Class 2 consists of the Secured 2017 Revenue Notes Claims.

b. *Treatment.* The Secured 2017 Revenue Notes Claims shall be paid in cash on the Effective Date by the Debtors to the 2017 Notes Trustee for distribution in accordance with the 2017 Revenue Note Indentures in an amount equal to 100% of a single Allowed Claim in the aggregate amount of \$42,000,000, plus (i) any accrued, but unpaid postpetition interest, if any, at the rate specified in the 2017 Revenue Note Indentures, excluding any interest at a default rate, any make whole premium, any applicable redemption or other premium, and (ii) any accrued but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2017 Notes Trustee and the Master Trustee pursuant to the Final DIP Order and Cash Collateral Orders through and including the Effective Date, less any amounts held by the 2017 Notes Trustee in a (x) principal or revenue account, (y) debt service or redemption reserve, or (z) an escrow or expense reserve account. No beneficial Holder of any Secured 2017 Note Claims shall be entitled to receive any distribution pursuant to the Plan, except as may be remitted to such holder by the 2017 Notes Trustee in accordance with the 2017 Revenue Notes Indenture.

c. *Subordination.* Following receipt of the distribution provided in Section 4.3(b), all rights held by the 2017 Revenue Bond Trustee and/or the Master Trustee under the Intercreditor Agreement shall be deemed satisfied, waived, or released by the treatment provided in the Plan Settlement and the Plan.

d. *Voting.* Class 2 is Impaired. The beneficial Holders of Secured 2017 Revenue Notes Claims are entitled to vote to accept or reject the Plan.

4. **Class 3: Secured 2015 Revenue Notes Claims**

a. *Classification.* Class 3 consists of the Secured 2015 Revenue Notes Claims.

b. *Treatment.* The Secured 2015 Revenue Notes Claims shall be paid in cash on the Effective Date by the Debtors in an amount equal to 100% of a single Allowed Claim in the aggregate amount of \$160,000,000, plus (i) accrued, but unpaid postpetition interest, if any, at the rate specified in the 2015 Revenue Note Indentures for each of 2015 Revenue Notes Series A, B, C and D, excluding any interest at a default rate or any applicable redemption or other premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2015 Notes Trustee and the Master Trustee, pursuant to the Final DIP Order and Cash Collateral Orders through and including the Effective Date, less any amounts held by the 2015 Notes Trustee on account of the 2015 Revenue Notes in a (x) principal or revenue account, (y) debt service or redemption reserve, or (z) an escrow or expense reserve account. No beneficial Holder of any Secured 2015 Revenue Notes Claims shall be entitled to receive any distribution pursuant to the Plan, except as may be remitted to such holder by the 2015 Notes Trustee.

c. *Subordination.* All rights held by the 2015 Revenue Bond Trustee and/or the Master Trustee under the Intercreditor Agreement shall be deemed

satisfied, waived, or released by the treatment provided in the Plan Settlement and the Plan.

- d. *Voting.* Class 3 is Impaired, and the beneficial Holders of Secured 2015 Revenue Notes Claims are entitled to vote to accept or reject the Plan.

5. Class 4: Secured 2005 Revenue Bond Claims

- a. *Classification.* Class 4 consists of the Secured 2005 Series A, G and H Revenue Bond Claims.

- b. *Treatment.* The Secured 2005 Revenue Bonds Claims shall be treated as a single Allowed Claim in the aggregate amount of \$259,445,000 plus (i) accrued, but unpaid postpetition interest, if any, at the rate specified in the 2005 Revenue Bond Indentures through and including the Effective Date, excluding any interest at the default rate or the Tax Rate, or any applicable redemption or other premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds Trustee and the Master Trustee pursuant to the Final DIP Order and Cash Collateral Orders through and including the Effective Date. The 2005 Revenue Bonds Claims shall be paid and satisfied as follows: (i) an amount equal to the Initial Secured 2005 Revenue Bonds Claims Payment plus (a) accrued, but unpaid postpetition interest, if any, at the rate specified in the 2005 Revenue Bond Indentures through and including the Effective Date, excluding any interest at the default rate or the Tax Rate, or any applicable redemption or other premium, and (b) any accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of the 2005 Revenue Bonds Trustee and the Master Trustee pursuant to the Final DIP Order and Cash Collateral Orders through and including the Effective Date, shall be paid in cash by the Debtors to the 2005 Revenue Bond Trustee on the Effective Date. In addition, (x) any amounts held by the 2005 Revenue Bonds Trustee in a (1) principal or revenue account, (2) debt service or redemption reserve, or (3) an escrow or expense reserve account shall be applied against the Secured 2005 Revenue Bonds Claim, and (y) the 2005 Revenue Bonds Trustee shall become the sole Trust Beneficiary and holder of all of the First Priority Trust Beneficial Interests in the amount of the 2005 Revenue Bonds Diminution Claim, including interest accruing after the Effective Date at the non-default rate provided for in the 2005 Revenue Bond Indentures. The foregoing payments and distributions shall be in full and final satisfaction of the Secured 2005 Revenue Bonds Claims as a single Allowed Claim. Notwithstanding distribution of First Priority Trust Beneficial Interests on account of the 2005 Secured Revenue Bonds Diminution Claim, the 2005 Revenue Bonds Trustee or the Master Trustee shall be entitled to retain and apply Adequate Protection Payments received during the course of these Cases on or on behalf of the 2005 Secured Revenue Bonds in the manner provided by the relevant indenture. No beneficial Holder of any Secured Series A, G and H Revenue Bonds Claims shall be entitled to receive any

distribution pursuant to the Plan, except as may be remitted to such Holder by the 2005 Revenue Bonds Trustee.

c. *Subordination.* All rights held by the 2005 Revenue Bonds Trustee and/or the Master Trustee under the Intercreditor Agreement shall be deemed satisfied, waived, or released by the treatment provided in the Plan Settlement and the Plan.

d. *Voting.* Class 4 is Impaired. The beneficial Holders of the Secured 2005 Series 2005 A, G and H Revenue Bond Claims are entitled to vote to accept or reject the Plan.

6. Class 5: Secured MOB I Financing Claims

a. *Classification.* Class 5 consists of the MOB I Financing Claims.

b. *Treatment.* The Secured MOB I Financing Claims shall be paid in cash on the Effective Date by the Debtors in an amount equal to 100% of a single Allowed Claim in the aggregate amount of \$46,363,095.90, plus (i) accrued but unpaid postpetition interest, if any, at the rate specified in the MOB I Loan Agreement, excluding any interest at the default rate, or make whole premium, and (ii) any accrued, but unpaid reasonable, necessary out-of-pocket fees and expenses of Verity MOB Financing LLC, pursuant to the Final DIP Order and Cash Collateral Orders through and including the Effective Date.

c. *Voting.* Class 5 is Impaired. Holders of MOB I Financing Claims are entitled to vote to accept or reject the Plan.

7. Class 6: Secured MOB II Financing Claims

a. *Classification.* Class 6 consists of the Secured MOB II Financing Claims.

b. *Treatment.* The Secured MOB II Financing Claims shall be paid in cash on the Effective Date by the Debtors in an amount equal to 100% of a single Allowed Claim in the aggregate amount of \$20,061,919.48, plus (i) accrued, but unpaid postpetition interest, if any, at the rate specified in the MOB II Loan Agreements, excluding any interest at the default rate, or make whole premium, and (ii) any accrued but unpaid reasonable, necessary out-of-pocket fees and expenses of Verity MOB Financing II LLC, pursuant to the Final DIP Order and Cash Collateral Orders through and including the Effective Date.

c. *Voting.* Class 6 is Impaired. Holders of Secured MOB II Financing Claims are entitled to vote to accept or reject the Plan.

8. Class 7: Secured Mechanics Lien Claims

a. *Classification.* Class 7 consists of the Secured Mechanics Lien Claims.

- b. *Treatment.* Each Allowed Secured Mechanics Lien Claim shall be paid in cash on the Effective Date by the Debtors in an amount equal to 100% of the principal balance of such Allowed Secured Mechanics Lien Claim.
- c. *Voting.* Class 7 is Impaired. Holders of Secured Mechanics Lien Claims are entitled to vote to accept or reject the Plan.

9. Class 8: General Unsecured Claims

- a. *Classification.* Class 8 consists of the General Unsecured Claims against all Debtors.
- b. *Treatment.* As soon as practicable after the Effective Date or as soon thereafter as the claim shall have become an Allowed Claim, each holder of an Allowed General Unsecured Claim shall receive a Second Priority Trust Beneficial Interest and become a Trust Beneficiary in full and final satisfaction of its Allowed Class 8 Claim, except to the extent that such Holder agrees (a) to a less favorable treatment of such Claim, or (b) such Claim has been paid before the Effective Date.
- c. *Voting.* Class 8 is Impaired. Holders of General Unsecured Claims are entitled to vote to accept or reject the Plan.

10. Class 9: Insured Claims*Classification.* Class 9 consists of Allowed Insured Claims.

- b. *Treatment.* Each Insured Claim shall be deemed objected to and disputed and shall be resolved in accordance with Section 4.10 of the Plan, notwithstanding any other Plan provision.

Except to the extent that a Holder of an Insured Claim agrees to different treatment, or unless otherwise provided by an order of the Bankruptcy Court directing such Holder's participation in any alternative dispute resolution process, on the Effective Date, or as soon thereafter as is reasonably practicable, each Holder of an Insured Claim will have received or shall receive on account of its Insured Claim relief from the automatic stay under § 362 and the injunctions provided under this Plan for the sole and limited purpose of permitting such Holder to seek recovery, if any, as determined and Allowed by an order or judgment by a court of competent jurisdiction or under a settlement or compromise of such Holder's Insured Claim from the applicable and available Insurance Policies maintained by or for the benefit of any of the Debtors. A Holder's recovery of insurance proceeds under the applicable Insurance Policy(ies) shall be the sole and exclusive recovery on an Insured Claim, subject to recovery of an Insured Deficiency Claim, as described in the next paragraph. Any settlement of an Insured Claim within a self-insured retention or deductible must be approved by the Liquidating Trustee.

In the event the applicable insurer denies the tender of defense or there are no applicable or available insurance policies, or proceeds from applicable

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

and available insurance policies have been exhausted or are otherwise insufficient to pay in full a Holder's recovery, if any, as determined by an order or judgment by a court of competent jurisdiction or under a settlement or compromise of such Holder's Insured Claim, on account of its Insured Claim, then such Holder shall be entitled to an Allowed Claim equal to the amount of the Allowed Insured Claim less the amount of available proceeds paid such Allowed Insured Claim from the applicable and available Insurance Policies (the "*Insured Deficiency Claim*"). Such Holders' Insured Deficiency Claim shall be treated as an Allowed General Unsecured Claim in Class 10 of the Plan and shall be entitled to receive its Pro Rata Share of the distributions from the Liquidating Trust Distributions as set forth in the Plan in the same manner as other Holders of Allowed General Unsecured Claims in Class 8 of the Plan. In no event shall any Holder of an Allowed Insured Deficiency Claim be entitled to receive more than one hundred percent (100%) of the Allowed Amount of their respective Allowed Insured Deficiency Claim.

Any amount of an Allowed Insurance Claim within a deductible or self-insured retention shall be paid by the applicable insurance, in accordance with the applicable Insurance Policy, to the Claim Holder and such insurer shall have a General Unsecured Claim (or Secured Claim, if it holds collateral) for the amount of the deductible or retention paid, provided that it has timely filed an otherwise not objectionable proof of claim encompassing such amounts. For purposes of retentions and deductibles in any Insurance Policy, including, but not limited to, an Insurance Policy insuring officers, directors, consultants or others against claims based upon prepetition occurrences, the Confirmation Order shall constitute a finding that the Debtors are insolvent and unable to advance or indemnify Insured Claims, from Estate or Debtor Funds, for any loss, claim, damage, settlement or judgment of Debtors within the applicable retention or deductible amount. However, the foregoing sentence does not modify the Insurer's right to a claim described in the first sentence of this paragraph or limit reimbursement due Old Republic for deductibles from proceeds of other insurance. Notwithstanding any other provision of this Section, Old Republic Insurance Company shall be entitled to all accommodations that it requested in connection with renewal of Debtors' workers' compensation policy, as approved by order of the Bankruptcy Court [Docket No. 2803].

- c. *Voting.* Class 9 is Impaired. Holders of Insured Claims are entitled to vote to accept or reject the Plan. Unless otherwise ordered by the Bankruptcy Court, each Holder of a Class 9 Insured Claim shall have a \$1.00 vote for each filed Insured Claim.

11. Class 10: 2016 Data Breach Claims

- a. *Classification.* Class 10 consists of Allowed 2016 Data Breach Claims.

b. *Treatment.* Each holder of an Allowed 2016 Data Breach Claim shall receive access to credit monitoring services at the sole cost of the Debtors for a period of two (2) years following the Effective Date.

c. *Voting.* Class 10 is Impaired. Holders of Allowed 2016 Data Breach Claims are entitled to vote to accept or reject the Plan.

12. Class 11: Subordinated General Unsecured Claims

a. *Classification.* Class 11 Claims consists of Subordinated General Unsecured Claims.

b. *Treatment.* Holders of Allowed Subordinated General Unsecured Claims shall not receive any recovery from the Debtors on or after the Effective Date.

c. *Voting.* Class 11 is Impaired. Holders of Subordinated General Unsecured Claims are deemed to reject the Plan and are not entitled to vote.

13. Class 12: Interests

a. *Classification.* Class 12 consists of Allowed Interests against any Debtor.

b. *Treatment.* Holders of Allowed Interests shall not receive any recovery from the Debtors under the Plan.

c. *Voting.* Class 12 is Impaired. The holders of Interests are deemed to reject the Plan and are not entitled to vote.

VII.

MEANS OF EFFECTUATION AND IMPLEMENTATION OF THE PLAN

The key means to effectuation and implementation of the Plan are summarized below, and set forth in more detail in the Plan and the Liquidating Trust Agreement.

A. Conditions to Effective Date. The following are conditions precedent to the Effective Date:

(a) The Confirmation Order, including, without limitation, the approval of the Plan Settlement pursuant to Bankruptcy Rule 9019 and § 1123(b)(3)(A), shall have been entered by the Bankruptcy Court in form and substance acceptable to the Plan Proponents, which Confirmation Order shall not have been terminated, suspended, vacated, or stayed, and shall not have been amended except with the consent of the Plan Proponents;

(b) The SFMC Sale shall have closed;

(c) The Seton Sale shall have closed;

(d) The Debtors shall have sufficient Cash to satisfy the Debtors' obligations under the Plan to pay or reserve for all Classes of Claims entitled to a Cash payment on, or as of the Effective Date;

(e) The Debtors shall have sufficient Cash to fund the Liquidating Trust Reserves;

(f) All documents, instruments and agreements provided for under or necessary to implement the Plan (including without limitation, the Interim Agreements, the Transition Services Agreements, the Plan Settlement, and the Liquidating Trust Agreement) shall have been executed and delivered by the parties thereto, unless such execution or delivery shall have been waived by the parties benefited thereby.

The Plan Proponents may waive the conditions to effectiveness of the Plan, set forth in Section 12.2 of the Plan, except the condition of paying the Secured Claims as set forth therein, without leave of the Bankruptcy Court and without any formal action other than proceeding with confirmation of the Plan and filing a notice of confirmation with the Bankruptcy Court. To the extent that the Debtors are unable to satisfy the conditions to the effectiveness of the Plan set forth in Section 12 of the Plan, the Plan Proponents reserve the right to amend the Plan at such time (in accordance with the terms of the Plan) to address such inability.

B. Creditor Settlement Agreements

1. Plan Settlement

Section 7.1(a) of the Plan requires that the Bankruptcy Court approve, as of the Effective Date, the a settlement by and between the Plan Proponents (the "Plan Settlement"). The Plan Settlement's primary terms are as follows:

(a) the Holders of Secured 2005 Revenue Bond Claims shall receive the treatment set forth in Section 4.5 of the Plan, including, but not limited to, the receipt of the Initial Secured 2005 Revenue Bonds Claims Payment and the First Priority Trust Beneficial Interests in full and final satisfaction of the 2005 Revenue Bonds Diminution Claim;

1 (b) the Holders of Allowed General Unsecured Claims shall receive the
2 treatment set forth in Section 4.9 of the Plan, including, but not limited to, the receipt of Second
3 Priority Beneficial Trust Interests in full and final satisfaction of all Allowed General Unsecured
4 Claims;

5 (c) on the Effective Date, or as soon thereafter is reasonably practicable, the
6 following shall be dismissed with prejudice: (a) the USBNA Adversary Proceeding; and (b) the
7 UMB Adversary Proceeding;

8 (d) any outstanding stipulation tolling the Committee's right to pursue claims
9 against Verity MOB and Verity MOB II pursuant to the Final DIP Order shall be terminated and all
10 further rights of the Committee with respect to such claims shall be waived;

11 (e) the Confirmation Order shall include, without limitation, findings that: (a)
12 the Prepetition Secured Creditors were oversecured as of the Petition Date and are entitled to retain
13 Adequate Protection Payments as allowed postpetition interest and fees under § 506(a); the amount
14 of the Prepetition Replacement Lien (as defined in the Final DIP Order) that may be asserted by the
15 Master Trustee and the 2005 Revenue Bonds Trustee is equal to or greater than the 2005 Revenue
16 Bonds Diminution Claim; the Secured 2005 Revenue Bond Claim, including the 2005 Revenue
17 Bonds Diminution Claim, constitutes an Allowed Secured Claim for all purposes under the Plan
18 and the Liquidating Trust Agreement, and on and after the Effective Date shall not be subject to any
19 defense, reduction, setoff or counterclaim, including without limitation, pursuant to any claims
20 under §§ 506(c) and 552(b) of the Bankruptcy Code; the Master Trustee and the 2005 Revenue
21 Bonds Trustee are authorized to enter into the Plan Settlement on behalf of the holders of the
22 Secured 2005 Revenue Bond Claims and such Trustees have properly exercised their rights, powers
23 and discretion pursuant to the 2005 Bonds Indenture and applicable law in entering into the Plan
24 Settlement, which shall bind the Master Trustee, the 2005 Revenue Bonds Trustee and all holders
25 of the Secured 2005 Revenue Bond Claims;

26 (f) the Debtors and the Prepetition Secured Creditors shall waive any objection
27 to the fees and expenses incurred by the Committee's advisors which exceed the limitations for
28

investigating and prosecuting claims against the Prepetition Secured Creditors set forth in the Final DIP Order, the Cash Collateral Orders, the related budgets, and as set forth more fully in the Debtors' reservations of rights [Docket Nos. 3896, 4287]; provided, however, nothing in the Plan or Plan Settlement shall be deemed a waiver of the rights of any party to object to the reasonableness of fees and/or expenses of the Committee;

(g) the Master Trustee and the 2005 Revenue Bonds Trustee shall agree that, on the Effective Date, the Debtors shall pay, or reserve for, all Allowed and allowable Administrative Claims not otherwise paid in the ordinary course of the Debtors' operations notwithstanding that, absent such agreement, such Administrative Claims would not otherwise be entitled to any payment absent full payment of the Secured 2005 Revenue Bonds Claim; and

(h) the Indenture Trustees and their affiliates shall be Released Parties under the Plan and shall be granted the benefit of the releases, injunctions, and exculpations set forth herein pursuant to § 1123(b)(3)(A) and the Plan Settlement.

(i) The Plan Settlement further requires that the Effective Date occur on or before September 5, 2020, on which day the Confirmation Order cannot be subject to a stay of effectiveness.

2. PBGC Settlement

Section 7.1(b) of the Plan requires that the Bankruptcy Court approve, as of the Effective Date, the a settlement by and between the Debtors and the PBGC (the "~~Plan~~PBGC Settlement"). The PBGC Settlement's primary terms are as follows:

(a) the PBGC is granted a single, Allowed Administrative Claim against the Debtors in the total amount of \$3,000,000 to be paid on the Effective Date;

(b) the PBGC is granted a single, Allowed General Unsecured Claim against the Debtors in the total amount of \$450,000,000;

(c) the PBGC shall support confirmation of the Plan and entry of the Confirmation Order;

(d) notwithstanding anything to the contrary in the Plan or Confirmation Order, any fiduciary breach claims held by the PBGC related to ~~any of the Debtors pension plan covered~~

by title IV of the Employment Retirement Income Security Act of 1974, as amended, 29 U.S.C. §§
1301-1461 (2006 & Supp. III 2009) the Verity Health System Retirement Plan A and Verity Health
System Retirement Plan B, shall not be not released, waived, or discharged under this Plan or the

Confirmation Order;

(e) the PBGC Settlement shall be in full and final satisfaction of the PBGC
Claims; and

(f) the PBGC Settlement shall be null and void in the event that (A) the Plan is
not confirmed or does not go into effect, or (B) the SFMC Sale or Seton Sale do not close, ~~or (C) the
SFMC Sale or Seton Sale close for a purchase price that is materially less than the contracted
amount in the SFMC Asset Purchase Agreement or the Seton Asset Purchase Agreement, as
applicable.~~

3. Other Creditor Settlement Agreements

Prior to or in connection with the Confirmation Hearing, there are expected to be
settlements with creditors and other parties. Such settlements will be filed either as part of a Plan
Supplement or a separate pleading, which may be filed for expedited hearing at or before the
Confirmation Hearing.

C. Deemed Substantive Consolidation

Section 7.2 of the Plan requests that each of the Debtors' Estates be "deemed" substantively
consolidated for the purposes set forth in the Plan described above. Certain facts supporting
deemed substantive consolidation are set forth below. This Disclosure Statement provides
adequate information regarding the Debtors' request to treat their Estates substantively
consolidated; however, the Debtors will not seek approval of deemed substantive consolidation at
the hearing to approve this Disclosure Statement. A discussion setting forth the bases for deemed
substantive consolidation of the Estates is set forth in Section XV.B hereof.

The deemed substantive consolidation effected pursuant to the Plan shall not affect, without
limitation, (i) the Debtors', the Post-Effective Date Debtors', or the Liquidating Trust's defenses to
any Claim or Cause of Action, including the ability to assert any counterclaim, provided that the

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

Liquidating Trust shall neither assert nor preserve Intercompany Claims, except to the extent necessary to preserve claims and defenses against third parties other than the Debtors; (ii) the Debtors', the Post-Effective Date Debtors', or the Liquidating Trust's setoff or recoupment rights; (iii) requirements for any third party to establish mutuality prior to deemed substantive consolidation in order to assert a right of setoff against the Debtors, the Post-Effective Date Debtors, or the Liquidating Trust; (iv) distributions to the Debtors, their Estates, the Post-Effective Date Debtors, or the Liquidating Trust out of any Insurance Policies or proceeds of such policies; (v) distributions to the Debtors, their Estates, the Post-Effective Date Debtors, or the Liquidating Trust from any governmental programs, including, but not limited to, Medicare, and Medi-Cal including any fee for service payments and any payments under the Quality Assurance Fee program; (vi) the applicability and enforceability of any government issued licenses, including, but not limited to, the Hospital Licenses, or (vii) any Avoidance Action or any other Cause of Action held by the Debtors arising under §§ 541 through 550, or state laws of similar effect, against any third party other than the other Debtors, except to the extent any such actions are expressly waived or settled pursuant to the Plan.

D. Cancellation of Existing Indentures and Related Securities

On the Effective Date, and conditioned on the irrevocable receipt of all of the Plan payments to the respective Bond and Notes Trustees on behalf of Classes 2, 3, and 4 due upon the Effective Date, and the effectiveness of the releases and exculpations of each of the Indenture Trustees in accordance with Sections 13.5(d) and 13.7 of the Plan, the Master Indenture of Trust, dated as of December 1, 2001, as amended and supplemented, among the Daughters of Charity Health System, as predecessor in interest to VHS, the 2005 Revenue Bonds Indentures, the 2015 Revenue Notes Indentures and the 2017 Revenue Notes Indentures (collectively, the "Indentures"), together with the related Obligations of the Debtors, loan agreements and security documents to which the Debtors are party, including the Intercreditor Agreement, and the respective notes, bonds, and securities issued under each of the Indentures shall be deemed inoperative and unenforceable against the Debtors and the Debtors shall have no continuing obligations thereunder,

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 and the Indenture Trustees shall each be discharged for all purposes, provided, however, that the
2 foregoing Indentures shall continue in effect solely to the extent necessary to (i) allow the
3 respective Bond and Notes Trustees to receive and make distributions under the Plan to their
4 respective holders, preserving the tax attributes of such distributions under such Indentures and (ii)
5 allow the respective Indenture Trustees to enforce any obligations owed to them under the Plan or
6 their respective Indentures (including compensation and reimbursement for any reasonable and
7 documented fees and expenses pursuant to their respective charging liens as provided in the
8 Indentures, as applicable).

9 Without limiting the foregoing, the Bond and Notes Trustees, as applicable, shall receive all
10 distributions made under the Plan on account of their respective Allowed Claims and shall
11 distribute them in any manner permitted by the applicable Indentures, including on a date selected
12 by the respective Bond and Notes Trustee on or after the Effective Date for surrender and
13 cancellation of securities. The Indenture Trustees shall be entitled to receive from the Liquidating
14 Trust their reasonable fees and expenses incurred in releasing any liens and making distributions, as
15 applicable, in accordance with the relevant Indentures, the Plan, and the Confirmation Order.
16 Notwithstanding the foregoing, if any claim is ever made upon the Indenture Trustees which results
17 in the rescission, repayment, recovery or restoration of any amounts received by the Indenture
18 Trustees pursuant to the Plan, the Intercreditor Agreement shall be reinstated in full force and
19 effect, and the prior termination of the Intercreditor Agreement pursuant to Section 7.3 of the Plan
20 shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties to the
21 Intercreditor Agreement from such date of reinstatement.

22 **E. Post-Effective Date Governance of Certain Entities**

23 The Sale-Leaseback Debtors, SVMC, St. Vincent Dialysis, the SCC Debtors, and VHS
24 (together, the “Post-Effective Date Debtors”) shall continue to exist after the Effective Date of the
25 Plan (i) with the Sale-Leaseback Debtors existing until the expiration of the Interim Agreements so
26 that they may engage in the transition tasks set forth in Section ~~5.7~~5.8 of the Plan, and (ii) with the
27 SCC Debtors existing until all Quality Assurance Payments are collected. The primary transaction
28

task (i) for the Sale-Leaseback Debtors involves the Interim Agreements, and (ii) for the SCC Debtors involves remitting Quality Assurance Payments received after the Effective Date to the Liquidating Trust.

1. Post-Effective Date Board of Directors

On the Effective Date, the board members of VHS shall resign and the Post-Effective Date Board of Directors of VHS will be appointed. The members that make up the Post-Effective Date Board of Directors shall also serve and remain as the members of each of the subsidiary boards and any other boards required to be in existence. The Post-Effective Date Board of Directors shall (i) fulfill its duties and obligations under the bylaws and state and federal law, and (ii) oversee the Liquidating Trustee in his/her capacity as president of the Post-Effective Date Debtors consistent with the terms of the Plan. The Post-Effective Date Board of Directors is further discussed in Section ~~5.8~~5.9 of the Plan.

2. Post-Effective Date Committee

Pursuant to Section 7.11 of the Plan, on the Effective Date, the Committee shall be dissolved (except with respect to any Professional compensation matters) and the Post-Effective Date Committee shall be appointed. Other than the Master Trustee, which shall be an ex officio and non-voting member of the Post-Effective Date Committee, the initial members that shall serve on the Post-Effective Date Committee shall be selected by the Committee and shall be disclosed in a Plan Supplement. The Post-Effective Date Committee shall have duties in accordance with the Plan and the Liquidating Trust Agreement: (i) to consult and coordinate with the Liquidating Trustee as to the administration of the Liquidating Trust and the Liquidating Trust Assets, including, without limitation, consulting on the Operating Budget; and (ii) consult and coordinate with the Liquidating Trustee as to the administration of the Post-Effective Date Debtors.

3. Liquidating Trust

As set forth in Section 6 and elsewhere in the Plan and in the Liquidating Trust Agreement, a Liquidating Trust will be established on the Effective Date of the Plan, which will hold and prosecute Causes of Action (including Avoidance Actions and SGM Claims) and other Liquidating

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 Trust Assets being contributed to the Liquidating Trust Assets. Allowed Claims in Class 4
2 (Secured 2005 Revenue Bond Claims) and Class 8 (General Unsecured Claims) will receive Trust
3 Beneficial Interests, which shall be entitled to receive periodic distribution of net proceeds received
4 by the Liquidating Trust, as set forth in the Plan and the Liquidating Trust Agreement. The
5 Liquidating Trust shall have an initial duration of five (5) years (subject to possible extension).

6 The primary purpose of the Liquidating Trust shall be the liquidation and distribution of its
7 assets, in accordance with Treasury Regulation (defined below) section 301.7701-4(d). The
8 primary functions of the Liquidating Trust are as follows: (i) to liquidate, sell, or dispose of the
9 Liquidating Trust Assets; (ii) to cause all net proceeds of the Liquidating Trust Assets, including
10 proceeds of Causes of Action on behalf of the Liquidating Trust to be deposited into the
11 Liquidating Trust; (iii) to initiate actions to resolve any remaining issues regarding the allowance
12 and payment of Claims including, as necessary, initiation and/or participation in proceedings
13 before the Court; (iv) to take such actions as are necessary or useful to maximize the value of the
14 Liquidating Trust; and (v) to make the payments and distributions to Holders of Allowed Claims,
15 including Liquidating Trust Beneficiaries, as required by the Plan.

16 The Liquidating Trustee shall have the other powers and duties set forth in the Plan and the
17 Liquidating Trust Agreement. The initial Liquidating Trustee shall be selected by the Committee
18 with the consent of the Master Trustee, in accordance with Section 6.5(a) of the Plan. The Plan
19 contemplates that the Liquidating Trustee will keep the Master Trustee informed of the Liquidating
20 Trustee's progress in collecting and liquidating the Liquidating Trust Assets, and that the Master
21 Trustee will have certain consent rights in connection with the acceptance of an offer of
22 compromise or settlement, as set forth in Section 6.5(c) of the Plan.

23 The reasonable costs and expenses of the Liquidating Trustee will be paid solely from the
24 Liquidating Trust Administration Accounts, which will be funded by the Debtors on the Effective
25 Date with \$3,500,000.00 in cash. The Liquidating Trust Administration Accounts will be
26 replenished and maintained by the Liquidating Trustee pursuant to the procedures set forth in
27 Section 7.8 of the Plan.

Certain tax and securities law considerations related to the Trust Beneficial Interests in the Liquidating Trust are discussed below in this Disclosure Statement.

4. Insurance Captive

VHS, in its capacity as a Post-Effective Date Debtor, and/or the Liquidating Trustee shall take such action as reasonably necessary and advisable to effectuate the sale, disposition or other administration of the issued and outstanding equity interest in and assets of Marillac.⁹ The net cash proceeds of such sale, disposition or other administration, if any, to the Liquidating Trust shall be used to pay Holders of Claims, as set forth in the Plan and the Liquidating Trust Agreement or as otherwise agreed pursuant to a Creditor Settlement Agreement.

5. Coordination Between Post-Effective Date Debtors and the Liquidating Trust

Notwithstanding anything herein to the contrary, in furtherance of the purposes of the Liquidating Trust, at the request of the Liquidating Trustee, the Post-Effective Date Debtors (including, without limitation, the Post-Effective Date Debtors' employees, agents and/or professionals) shall be authorized to provide assistance and services to, or otherwise act on behalf of, the Liquidating Trustee in the performance of the Liquidating Trustee's duties under the Plan and the Liquidating Trust Agreement. Without limitation on the foregoing, the Post-Effective Date Debtors shall be authorized to assist in the reconciliation and administration of claims, and assist in the liquidation and/or collection of Liquidating Trust Assets (including, without limitation, litigation claims). The Liquidating Trustee shall oversee all such services provided on behalf of the Liquidating Trustee.

6. Dissolution of Certain Debtors on or after the Effective Date

The following Debtors shall be dissolved, under applicable non-bankruptcy law on the Effective Date or shortly thereafter, as determined by the Liquidating Trustee, and each respective Debtor's interests and rights shall be vested, for all purposes in the Liquidating Trust, and all of the

⁹ Section ~~5.6~~5.7 of the Plan, and this provision, will be modified in the event VHS sells or otherwise disposes of the issued and outstanding shares in Marillac prior to the Effective Date.

interests in such Debtors shall be cancelled and terminated without further order of the Bankruptcy Court: VBS; Holdings; De Paul Ventures; and De Paul - San Jose Dialysis.

7. Dissolution of Certain Non-Debtor Entities on the Effective Date

The following non-debtor entities shall be deemed dissolved under applicable state law as of the Effective Date pursuant to Section 5.2 of the Plan:

- De Paul Ventures - San Jose ASC, LLC
- Sports Medicine Management, Inc.
- St. Vincent de Paul Ethics Corporation
- V Holdings MOB, LLC
- Robert F. Kennedy Medical Center
- Robert F. Kennedy Medical Center Foundation

These entities have no material assets or operations.

8. The Foundations

As of May 31, 2020, the Foundations held the following amounts of properly donor-restricted and unrestricted assets:

<u>Charitable Foundation Accounts</u>			
<u>\$ in 000's</u>	<u>as of May 31, 2020</u>		
<u>Account</u>	<u>Total Cash</u>	<u>Restricted</u>	<u>Unrestricted</u>
<u>OCH</u>	<u>\$ 1,598</u>	<u>\$ 1,220</u>	<u>\$ 378</u>
<u>SLRH</u>	<u>\$ 321</u>	<u>\$ 302</u>	<u>\$ 19</u>
<u>SFMC</u>	<u>\$ 242</u>	<u>\$ 218</u>	<u>\$ 24</u>
<u>SVMC ⁽¹⁾</u>	<u>\$ 3,519</u>	<u>\$ 3,307</u>	<u>\$ 212</u>
<u>SMC</u>	<u>\$ 4,447</u>	<u>\$ 4,427</u>	<u>\$ 20</u>
<u>Total Foundation Cash</u>	<u>\$ 10,127</u>	<u>\$ 9,474</u>	<u>\$ 653</u>

(1) SVMC charitable foundation amounts include \$3.1 million and \$2.4 million, respectively, at Green Oak, a separate investment manager. This cash is not reflected within the Verity bank accounts.

As set forth more fully below, the Plan provides separate treatment for properly donor-restricted charitable assets and unrestricted assets held by the Foundations. After Attorney General approval, the following entities will receive the properly donor-restricted funds held by the Foundations:

<u>Donor</u>	<u>Recipient</u>
<u>O'Connor Hospital Foundation</u>	<u>VMC Foundation</u>
<u>Saint Louise Regional Hospital Foundation</u>	<u>VMC Foundation</u>
<u>St. Francis Medical Center of Lynwood Foundation</u>	<u>California Community Foundation</u>

<u>St. Vincent Foundation</u>	<u>California Community Foundation</u>
<u>Seton Medical Center Foundation</u>	<u>California Community Foundation</u>

Unless otherwise authorized for distribution by the ordinary course determination of each Foundation's board of directors prior to the Effective Date, the Plan provides that unrestricted funds held by the Foundations will be treated as Assets subject to distribution in accordance with the Plan.

a. ~~8.~~ **Dissolution of Sale-Leaseback Debtor Foundations**

Until the SFMC Closing Date, St. Francis Medical Center of Lynwood Foundation shall continue to make distributions to SFMC in the ordinary course of business, with any properly donor-restricted gifts distributed in accordance with the terms and conditions of such restricted gift. After the SFMC Closing Date, the properly donor-restricted charitable assets of St. Francis Medical Center of Lynwood Foundation shall be transferred pursuant to approvals to be received from the Attorney General of California, pursuant to section 999.2(e) of title 11 of the California Code of Regulations and related statutes and regulations. Thereafter, St. Francis Medical Center of Lynwood Foundation shall be dissolved under applicable non-bankruptcy law.

Until the Seton Closing Date, Seton Medical Center Foundation shall continue to make distributions to Seton in the ordinary course of business, with any properly donor-restricted gifts distributed in accordance with the terms and conditions of such restricted gift. After the Seton Closing Date, the properly donor-restricted charitable assets of the Seton Medical Center Foundation shall be transferred pursuant to approvals to be received from the Attorney General of California, pursuant to section 999.2(e) of title 11 of the California Code of Regulations and related statutes and regulations. Thereafter, Seton Medical Center Foundation shall be dissolved under applicable non-bankruptcy law.

b. ~~9.~~ **Dissolution of the SCC Debtor Foundations**

On the Effective Date or shortly thereafter, the properly donor-restricted charitable assets of Saint Louise Regional Hospital Foundation and O'Connor Hospital Foundation shall be transferred pursuant to approvals to be received from the Attorney General of California, pursuant to section

999.2(e) of title 11 of the California Code of Regulations and related statutes and regulations.
Thereafter, each respective Foundation shall be dissolved under applicable non-bankruptcy law.

c. Dissolution of St. Vincent Foundation

On the Effective Date or shortly thereafter, the properly donor-restricted charitable assets of St. Vincent Foundation shall be transferred pursuant to approvals to be received from the Attorney General of California, pursuant to section 999.2(e) of title 11 of the California Code of Regulations and related statutes and regulations. Thereafter, St. Vincent Foundation shall be dissolved under applicable non-bankruptcy law.

2. ~~10.~~ Dissolution of VMF

VMF shall be dissolved, under applicable non-bankruptcy law, as soon as practicable after completion of the claims process under VMF's capitation agreements.

10. ~~11.~~ Termination of Responsibilities of the Patient Care Ombudsman

On the latter of the SFMC Sale Closing Date or the Seton Sale Closing Date, the duties and responsibilities of the Patient Care Ombudsman shall be terminated, and the Patient Care Ombudsman shall be discharged from his duties as Patient Care Ombudsman and shall not be required to file any further reports or perform any additional duties as Patient Care Ombudsman. No person or entity may seek discovery in any form, including, but not limited to, by motion, subpoena, notice of deposition or request or demand for production of documents, from the Patient Care Ombudsman or his agents, professionals, employees, other representatives, designees or assigns (collectively, with the Patient Care Ombudsman, the "Ombudsman Parties") with respect to any matters arising from or relating in any way to the performance of the duties of the Patient Care Ombudsman in these Chapter 11 Cases, including, but not limited to, pleadings, reports or other writings filed by the Patient Care Ombudsman in connection with these Chapter 11 Cases. Nothing herein shall in any way limit or otherwise affect the obligations of the Patient Care Ombudsman under confidentiality agreements, if any, between the Patient Care Ombudsman and any other person or entity or shall in any way limit or otherwise affect the Patient Care Ombudsman's obligation, under §§ 332(c) and 333(c)(1) or other applicable law or Bankruptcy Court Orders, to

maintain patient information, including patient records, as confidential, and no such information shall be released by the Patient Care Ombudsman without further order of the Bankruptcy Court.

11. ~~12.~~ Retention and Payment of Professionals Post-Effective Date

The Post-Effective Date Debtors, the Post-Effective Date Committee and the Liquidating Trust may retain and pay professionals in connection with their respective roles and funded from the Liquidating Trust Administration Accounts. Such retentions and payments shall not be subject to Bankruptcy Court approval or fee applications.

VIII.

DISTRIBUTIONS

A. Funding for the Distributions to Creditors

After the Effective Date, and following payment of all amounts required to be paid by the Debtors in cash on the Effective Date pursuant to the Plan, the Liquidating Trustee shall:

- transfer funds received on account of any Post-Effective Date Debtors to the Liquidating Trust except for funds that (i) constitute Hospital Purchased Assets, or (ii) are to be retained by the Post-Effective Date Debtors under the Interim Agreements and the Operating Budget. The aforementioned transfers to the Liquidating Trust shall be made as soon as practicable, but no less frequently than on a quarterly basis, with the first such transfer occurring as soon as practicable after the Effective Date. Further, the Liquidating Trustee shall transfer all funds held or received by SVMC, St. Vincent Dialysis, and the SCC Debtors on or after the Effective Date to the Liquidating Trust as soon as practicable, but no less frequently than on a quarterly basis, with the first such transfer occurring as soon as practicable after the Effective Date; and
- fund the Plan Fund with the Remaining Cash after funding (i) the Liquidating Trust Reserves and (ii) Liquidating Trust Administration Accounts.

The proceeds of the Plan Fund shall be used to make distributions as follows: (i) first, to pay the 2005 Revenue Bonds Diminution Claim, which shall have a First Priority Trust Beneficial

1 Interest in the Plan Fund; and (ii) second, to pay Allowed General Unsecured Claims, which shall
2 have Second Priority Trust Beneficial Interest in the Plan Fund. As Disputed General Unsecured
3 Claims are resolved and become Allowed, Cash in the Disputed Unsecured Claims Reserve shall be
4 transferred into the unreserved portion of the Plan Fund and made available for distribution to the
5 Holders of such newly Allowed General Unsecured Claims in an amount of their Pro Rata Share in
6 accordance with the Plan.

7 After full Payment of the First Priority Trust Beneficial Interests, the Liquidating Trustee
8 may either (i) reserve on account of Disputed General Unsecured Claims an amount necessary to
9 satisfy such claims once they are Allowed, which shall be based upon the estimated distribution
10 percentage for all Allowed General Unsecured Claims (using either the face value of the Proofs of
11 Claim, or if no Proof of Claim was required to be filed, the amount reflected in the Schedules), (ii)
12 reserve an amount as estimated by agreement between the Debtors or the Liquidating Trustee and
13 the Holder of such Disputed General Unsecured Claim, or (iii) in the absence of such an agreement,
14 reserve the amount estimated by the Bankruptcy Court under § 502(c).

15 **B. Distribution Mechanisms**

16 The Liquidating Trust shall be charged with making distributions under the Plan with
17 respect to all Allowed Claims as set forth in Section 8 of the Plan. Unless otherwise provided in the
18 Plan, all distributions on account of Allowed Claims, other than the 2005 Revenue Bonds
19 Diminution Claim and the General Unsecured Claims, shall be made as soon as practicable on or
20 after the Effective Date. Distributions on account of Allowed Claims in Classes 4 and 8 shall be
21 made exclusively on the basis of Trust Beneficial Interests at least quarterly, provided, however,
22 that distributions need not be made to the extent there is no Cash in the Plan Fund to distribute
23 Except with respect to the Secured 2005 Revenue Bond Claims, distributions from the Liquidating
24 Trust are subject to withholding and setoff.

25 **C. Liquidating Trust Reserves and Plan Fund**

26 Sections 7.9 and 7.10 of the Plan provide for the establishment of one or more accounts or
27 reserves of Cash established by the Liquidating Trustee for payments not made on the Effective
28

1 Date. Section 7.9 of the Plan provides for (a) the reservation of funds for Disputed Unclassified
2 Claims and Disputed Class 1A Claims; (b) the reservation of funds necessary to pay Professional
3 Claims not fixed and allowed by the Bankruptcy Court prior to the E Date; (c) to the extent
4 available from the Plan Fund, the reservation of funds for Disputed General Unsecured Claims, and
5 (d) the reservation of funds necessary to satisfy all Allowed Administrative Claims that are not
6 otherwise paid on the Effective Date.

7 Section 7.10 establishes the Plan Fund for the payment of the 2005 Revenue Bonds
8 Diminution Claim and all Allowed Unsecured Claims on or after the Effective Date. As Disputed
9 Unsecured Claims are resolved and become Allowed, Cash in the Disputed Unsecured Claim
10 Reserve shall be transferred into the unreserved portion of the Plan Fund and made available, on a
11 quarterly basis, for distribution to the Holders of such newly Allowed Unsecured Claims in an
12 amount of their Pro Rata Share in accordance with the Plan.

13 **D. Claims Administration**

14 Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, and except as
15 otherwise expressly provided herein, the Liquidating Trustee, in consultation with the
16 Post-Effective Date Committee, shall have the exclusive right to file, prosecute, resolve and
17 otherwise deal with objections to Claims. The Liquidating Trustee shall serve a copy of each Claim
18 objection upon the holder of the Claim to which the objection is made. Objections with respect to
19 all Claims shall be made as soon as reasonably practical but in no event later than the Claims
20 Objection Deadline. If the Liquidating Trustee wishes to extend the Claims Objection Deadline, it
21 may do so pursuant to a motion on notice to the Post-Effective Date Committee, which may be
22 approved without a hearing. The Claims Objection Deadline means the First Business Day that is
23 later of (a) two hundred ten (210) days after the Effective Date, or (b) such other later date as the
24 Bankruptcy Court may establish upon a motion by the Liquidating Trustee in accordance with the
25 Plan.

26 Section 10 of the Plan sets forth the mechanisms for treatment of Claims which are subject
27 to dispute pending their Allowance or Disallowance. The following Claims shall be automatically
28

Disallowed and expunged, without the need for filing any objections thereto, and shall not be entitled to any distributions under the Plan: (a) Claims for which no Proof of Claim was filed by the applicable Bar Date even though such Claims were listed on the Schedules as disputed, contingent, or unliquidated; and (b) Claims covered by § 502(d) to the extent that the holder of such Claim has not been paid the amount or turned over the property for which such holder is liable under §§ 522(i), 542, 543, 550, or 553, in accordance with § 502(d).

E. Preservation of Insurance

Nothing in the Plan shall diminish, impair or otherwise affect distributions from the proceeds or the enforceability of any insurance policies that may cover (a) Claims by any Debtor, or (b) Claims against any Debtor or covered Persons thereunder.

F. Executory Contracts and Unexpired Leases

On the Effective Date, all Executory Agreements to which any Debtor is a party shall be deemed rejected as of the Effective Date, except for those Executory Agreements that (a) have been assumed or rejected pursuant to a Final Order of the Bankruptcy Court (including pursuant to any Sale Order), (b) are the subject of a separate motion to assume, assume and assign, or reject filed under § 365 on or before the Effective Date, (c) are specifically designated as a contract or lease to be assumed on the Schedule of Assumed Contracts and no timely objection to the proposed assumption has been filed, provided, however, that the ~~Plan Proponents reserve the right to amend the Plan Supplement at any time on or before thirty (30)~~ Debtors shall, no later than five (5) business days ~~after the Effective Date to modify the Schedule of Assumed Contracts to include or delete any Executory Agreements~~ prior to the Confirmation Hearing, provide Cigna (as that term is defined in [Docket No. 4927](#)) with written notice of its irrevocable decision as to whether or not the Debtors propose to assume or reject each of the Cigna Contracts (as that term is defined in [Docket No. 4927](#)) as part of the Plan. If the party to an Executory Agreement listed to be assumed in the Schedule of Assumed Contracts wishes to object to the proposed assumption (including with respect to the cure amounts), it shall do so within thirty (30) days from the service of the Schedule of Assumed Contracts. Claims arising out of the rejection of an Executory Agreement pursuant to the Plan must

1 be filed with the Bankruptcy Court (or as otherwise provided for in the Debtors' notice of rejection)
2 no later than thirty (30) days after the Effective Date. Any Claims not filed within such time period
3 will be forever barred from assertion against the Debtors and/or their property and/or their Estates.

4 **G. Causes of Action Including Avoidance Actions and SGM Claims**

5 Except as provided in Section 7.1 of the Plan, nothing contained in the Plan shall be deemed
6 a waiver or relinquishment of any claims or Causes of Action of the Debtors that are not settled
7 with respect to Allowed Claims or specifically waived or relinquished by the Plan, which shall vest
8 in the Liquidating Trust, subject to any existing valid and perfected security interest or lien in such
9 Causes of Action. The Causes of Action preserved under the Plan include, without limitation, the
10 pending adversary proceedings discussed above and claims, rights or other causes of action:

11 (a) against vendors, suppliers of goods or services (including attorneys,
12 accountants, consultants, physicians or other professional service providers), utilities, contract
13 counterparties, and other parties for, including but not limited to: (A) services rendered; (B) over-
14 and under-payments, back charges, duplicate payments, improper holdbacks, deposits, warranties,
15 guarantees, indemnities, setoff or recoupment; (C) failure to fully perform or to condition
16 performance on additional requirements under contracts with any one or more of the Debtors; (D)
17 wrongful or improper termination, suspension of services or supply of goods, or failure to meet
18 other contractual or regulatory obligations; (E) indemnification and/or warranty claims; or (F)
19 turnover causes of action arising under §§ 542 or 543;

20 (b) against landlords or lessors, including, without limitation, for erroneous
21 charges, overpayments, returns of security deposits, indemnification, or for environmental claims;

22 (c) arising against current or former tenants or lessees, including, without
23 limitation, for non-payment of rent, damages, and holdover proceedings;

24 (d) arising from damage to Debtors' property;

25 (e) relating to claims, rights, or other causes of action the Debtors may have to
26 interplead third parties in actions commenced against any of the Debtors;

27 (f) for collection of a debt owed to any of the Debtors;
28

(g) against insurance carriers, reinsurance carriers, underwriters or surety bond issuers relating to coverage, indemnity, contribution, reimbursement or other matters;

(h) relating to pending litigation, including, without limitation, litigation related to the SGM Claims and any other claims or causes of action related thereto, and the suits, administrative proceedings, executions, garnishments, and attachments listed in Attachment 4a to each of the Debtors' Statements of Financial Affairs;

(i) arising from claims against health plans;

(j) arising from claims against SGM;

(k) that constitute Avoidance Actions;

(l) arising under or relating to any and/or all asset purchase agreements and related sale documents (including, without limitation, any leases) entered into during these Chapter 11 Cases, including, but not limited to, enforcement of such agreements by the Debtors' Estates and/or breaches of any and/or all such agreements by the applicable non-Debtor parties (including, without limitation, the purchasers of the Debtors' assets under such agreements and any and all principals and/or guarantors of the obligations under or relating to such agreements);

(m) all claims against Integrity Healthcare, LLC and BlueMountain Capital Management LLC; and

(n) relating to the Operating Assets.

The Liquidating Trustee, the Post-Effective Date Committee, and the Post-Effective Date Debtors shall have, retain, reserve and be entitled to assert all such claims, rights of setoff and other legal or equitable defenses that the Debtors had immediately prior to the Petition Date as fully as if the Chapter 11 Cases had not been commenced, and all of the Debtors' legal and equitable rights respecting any claim that is not specifically waived or relinquished by the Plan may be asserted by the Liquidating Trustee and the Post-Effective Date Committee on their behalf after the Effective Date to the same extent as if the Chapter 11 Cases had not been commenced. On and after the Effective Date, in accordance with § 1123(b) and the terms of the Plan and the Liquidating Trust Agreement, the Liquidating Trustee shall retain and have the exclusive right to prosecute, abandon,

1 settle or release any or all Causes of Action without the need to obtain approval or further relief
2 from the Bankruptcy Court.

3 As set forth in the Statement of Financial Affairs filed by each Debtor, an aggregate of over
4 \$200 million in gross payments were made by all Debtors to third parties within the 90 days before
5 the Petition Date. Those third parties may assert various defenses to any adversary proceedings
6 seeking to recover those payments as preferences or fraudulent transfers. The Debtors have
7 preliminarily requested ASK LLP to conduct an analysis of the likely amount of avoidance
8 recoveries after defenses and litigation costs. The Debtors are analyzing other litigation against
9 third parties, some of which will be pursued prior to the Effective Date.

10 IX.

11 EFFECT OF CONFIRMATION

12 A. Discharge

13 The Debtors will not receive a discharge under the Plan because the requirements of § 1141
14 necessary for the Debtors to receive a discharge are not present.

15 B. Injunctions and Stays

16 Existing injunctions, stays and orders in the Bankruptcy Case are generally being extended
17 pursuant to Section 13.4 of the Plan. In addition, Section 13.5 of the Plan provides for injunctive
18 relief as follows:

- 19 a. *General Injunction.* Except as otherwise expressly provided herein, all
20 Persons that have held, currently hold or may hold a Claim against the
21 Debtors are permanently enjoined on and after the Effective Date from
22 taking any action in furtherance of such Claim or any other Cause of Action
23 released and discharged under the Plan, including, without limitation, the
24 following actions against any Released Party: (a) commencing, conducting
25 or continuing in any manner, directly or indirectly, any action or other
26 proceeding with respect to a Claim; (b) enforcing, levying, attaching,
27 collecting or otherwise recovering in any manner or by any means, whether
28 directly or indirectly, any judgment, award, decree or order with respect to a
Claim; (c) creating, perfecting or enforcing in any manner, directly or
indirectly, any lien or encumbrance of any kind with respect to a Claim; (d)
asserting any setoff, right of subrogation or recoupment of any kind, directly
or indirectly, against any debt, liability or obligation due to the Debtors, the
Post-Effective Date Debtors or the Liquidating Trust with respect to a
Claim; or (e) commencing, conducting or continuing any proceeding that

1 does not conform to or comply with or is contradictory to the provisions of
2 the Plan; provided, however, that nothing in this injunction shall (i) limit the
3 Holder of an Insured Claim from receiving the treatment set forth in Class 9;
4 or (ii) preclude the Holders of Claims against the Debtors from enforcing
5 any obligations of the Debtors, the Post-Effective Date Debtors, the
6 Liquidating Trust, or the Liquidating Trustee under the Plan and the
7 contracts, instruments, releases and other agreements delivered in
8 connection herewith, including, without limitation, the Confirmation Order,
9 or any other order of the Bankruptcy Court in the Chapter 11 Cases. By
10 accepting a distribution made pursuant to the Plan, each Holder of an
11 Allowed Claim shall be deemed to have specifically consented to the
12 injunctions set forth in Section 13.5 of the Plan.

13
14 **b. *Other Injunctions.*** The Post-Effective Date Debtors, the Liquidating
15 Trustee, the Post-Effective Date Committee, the Post-Effective Date Board
16 of Directors, or the Liquidating Trust and their respective members,
17 directors, officers, agents, attorneys, advisors or employees shall not be
18 liable for actions taken or omitted in its or their capacity as, or on behalf of,
19 the Post-Effective Date Debtors, the Post-Effective Date Board of Directors,
20 the Liquidating Trustee, the Post-Effective Date Committee, or the
21 Liquidating Trust (as applicable), except those acts found by Final Order to
22 be arising out of its or their willful misconduct, gross negligence, fraud,
23 and/or criminal conduct, and each shall be entitled to indemnification and
24 reimbursement for fees and expenses in defending any and all of its or their
25 actions or inactions in its or their capacity as, or on behalf of the
26 Post-Effective Date Board of Directors, the Post-Effective Date Debtors, the
27 Liquidating Trustee, the Post-Effective Date Committee, or the Liquidating
28 Trust (as applicable), except for any actions or inactions found by Final
Order to involve willful misconduct, gross negligence, fraud, and/or
criminal conduct. Any indemnification claim of the Post-Effective Date
Debtors, the Post-Effective Date Board of Directors, the Liquidating
Trustee, the Post-Effective Date Committee and the other parties entitled to
indemnification under this subsection shall be satisfied from either (i) the
Liquidating Trust Assets (with respect to all claims, other than those claims
related to the Operating Assets), or (ii) the Operating Assets (with respect to
all claims related to the Operating Assets). The parties subject to Section
13.5 of the Plan shall be entitled to rely, in good faith, on the advice of
retained professionals, if any.

23 **C. Releases**

24 Section 13.4 of the Plan contains the following releases and related provisions, which are an
25 integral part of the Plan:

26 **a. *Release of Debtors.*** As of the Effective Date, for good and valuable
27 consideration, the adequacy of which is hereby confirmed, to the maximum
28 extent permitted by law, each Holder of any Claim shall be deemed to

1 forever release, waive, and discharge all Claims, obligations, suits,
2 judgments, damages, demands, debts, rights, causes of action, and liabilities
3 whatsoever, against the Debtors arising from or related to the Debtors' pre-
4 and/or post-petition actions, omissions or liabilities, transaction, occurrence,
or other activity of any nature except for as provided in the Plan or the
Confirmation Order.

5 **b. Settlement Releases.** Pursuant to § 1123(b)(3)(A) and the Plan Settlement,
6 as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby
7 confirmed, to the maximum extent permitted by law, each Holder of any Claim shall be deemed to
8 forever release, waive, and discharge all Claims, obligations, suits, judgments, damages, demands,
9 debts, rights, causes of action, and liabilities whatsoever, against the Settlement Released Parties
arising from or related to the Settlement Released Parties' pre- and/or post-petition actions,
omissions or liabilities, transaction, occurrence, or other activity of any nature except for as
provided in the Plan or the Confirmation Order.

10 **c. Limitations of Claims Against the Liquidating Trust.** As of the Effective
11 Date, except as provided in the Plan or the Confirmation Order, all Persons
12 shall be precluded from asserting against the Liquidating Trust any other or
13 further Claims, obligations, suits, judgments, damages, demands, debts,
14 rights, causes of action, and liabilities whatsoever, relating to the Debtors or
any Interest in the Debtors based upon any acts, omissions or liabilities,
transaction, occurrence, or other activity of any nature that occurred prior to
the Effective Date.

15 **d. Debtors' Releases.** Pursuant to § 1123(b), and except as otherwise
16 specifically provided in the Plan, for good and valuable consideration,
17 including the service of the Released Parties to facilitate the expeditious
liquidation of the Debtors and the consummation of the transactions
18 contemplated by this Plan, on and after the Effective Date, the Released
Parties are deemed released and discharged by the Debtors and their Estates
19 from any and all claims, obligations, rights, suits, damages, Causes of
Action, remedies, and liabilities whatsoever, including any derivative claims
20 asserted or assertable on behalf of the Debtors, whether known or unknown,
foreseen, or unforeseen, existing or herein after arising in law, equity, or
21 otherwise, that the Debtors or their Estates would have been legally entitled
to assert in their own right (whether individually or collectively) or on behalf
22 of the Holder of any Claim or other Person, based on or relating to, or in any
manner arising from, in whole or in part, the operation of the Debtors prior to
23 or during the Chapter 11 Cases, the transactions or events giving rise to any
Claim that is treated in this Plan, the business or contractual arrangements
24 between the Debtors and any Released Party, the restructuring of Claims
before or during the Chapter 11 Cases, the marketing and the sale of Assets
25 of the Debtors, the negotiation, formulation, or preparation of the Plan, this
Disclosure Statement, or any related agreements, instruments, or other
26 documents, other than a Claim against a Released Party arising out of the
gross negligence or willful misconduct of any such person or entity. Claims
27 against any Released Party that are released pursuant to Section 13.5(d) of
28

the Plan shall be deemed waived and relinquished by the Plan for purposes of Section 13.9 of the Plan.

WAIVER OF LIMITATIONS ON RELEASES. THE LAWS OF SOME STATES (FOR EXAMPLE, CALIFORNIA CIVIL CODE § 1542) PROVIDE, IN WORDS OR SUBSTANCE, THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER DECISION TO RELEASE. THE RELEASING PARTIES IN SECTION 13.4(a)-(c) OF THE PLAN ARE DEEMED TO HAVE WAIVED ANY RIGHTS THEY MAY HAVE UNDER SUCH STATE LAWS AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

D. Exculpations

To the maximum extent permitted by applicable law, each Released Party shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Chapter 11 Cases (including, without limitation, the filing of the Chapter 11 Cases), the marketing and the sale of Assets of the Debtors, the Plan and any related documents (including, without limitation, the negotiation and consummation of the Plan, the pursuit of the Effective Date, the administration of the Plan, or the property to be distributed under the Plan), or each Released Party's exercise or discharge of any powers and duties set forth in the Plan, except with respect to the actions found by Final Order to constitute willful misconduct, gross negligence, fraud, or criminal conduct, and, in all respects, each Released Party shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Without limitation of the foregoing, each such Released Party shall be released and exculpated from any and all Causes of Action that any Person is entitled to assert in its own right or on behalf of any other Person, based in whole or in part upon any act or omission, transaction, agreement, event or other occurrence in any way relating to the subject matter of Section 13.6 of the Plan.

E. Termination of All Employee, Retiree and Workers Compensation Benefits

All ongoing employee benefits, retiree benefits and workers' compensation benefits will be deemed rejected pursuant to § 365 as of the Effective Date.

F. U.S. Trustee Quarterly Fees and Post-Confirmation Status Report

All fees payable under 28 U.S.C. § 1930(a)(6) shall be paid by each Debtor in the amounts and at the times such fees may become due up to and including the Effective Date. The Liquidating Trust shall pay all fees payable by each Debtor under 28 U.S.C. § 1930(a)(6) until the Chapter 11 Cases are closed, dismissed or converted; provided, however, that the Sale-Leaseback Debtors will pay all fees payable under 28 U.S.C. § 1930(a)(6) in their respective Chapter 11 Cases in accordance with the Operating Budget and until the expiration of their respective Interim Management Agreements and Interim Leaseback Agreements. Upon the Effective Date, the Liquidating Trust and the Post-Effective Date Debtors shall be relieved from the duty to make the reports and summaries required under Bankruptcy Rule 2015(a). Notwithstanding the foregoing, the Liquidating Trust and Post-Effective Date Debtors shall file and serve the status reports required by Local Bankruptcy Rule 3020-1(b) at such times and for such period as may be set forth in the Confirmation Order.

G. Retention of Jurisdiction

Unless otherwise provided in the Plan or the Confirmation Order, on and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising in, arising under, or related to the Chapter 11 Cases. Without limiting the foregoing, the Bankruptcy Court shall retain jurisdiction to:

(a) allow, disallow determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim or Professional Claim and the resolution of any objections to the allowance or priority of Claims, and the resolution of any claim objections brought by the Debtors or by the Liquidating Trustee on behalf of the Liquidating Trust;

(b) resolve any matters related to the assumption, assumption and assignment, or rejection of any Executory Agreement to which a Debtor(s) is a party and to hear, determine and, if necessary, liquidate, any Claims arising from, or cure amounts related to, such assumption or rejection;

(c) determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Effective Date, including, without limitation, any and all Causes of Action preserved under the Plan commenced prior to, on, or after the Effective Date;

(d) ensure that distributions to holders of Allowed Claims are accomplished in accordance with the Plan;

(e) hear and determine matters relating to claims with respect to the Debtors' director and officer insurance;

(f) enter, implement or enforce such orders as may be appropriate in the event that the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

(g) issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the consummation, implementation or enforcement of the Plan, the Confirmation Order or any other order of the Bankruptcy Court, including, without limitation, any actions relating to the Nonprofit Status of the Post-Effective Date Debtors;

(h) resolve a dispute with respect to and/or otherwise appoint a replacement of the Liquidating Trustee, or replacement members of the Post-Effective Date Committee;

(i) hear and determine any application to modify the Plan in accordance with § 1127, to remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, any contract, instrument, release, or other agreement or document created in connection therewith, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

(j) hear and determine all applications under §§ 330, 331, and 503(b) for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;

(k) hear and determine disputes arising in connection with the interpretation, implementation, obligation or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated in the Plan, or any agreement, instrument, or other document governing or relating to any of the foregoing;

(l) take any action and issue such orders as may be necessary to construe, enforce, implement, execute and consummate the Plan, including all contracts, instruments, releases, and other agreements or documents created in connection therewith, or to maintain the integrity of the Plan following consummation;

(m) determine such other matters and for such other purposes as may be provided in the Plan and/or the Confirmation Order;

(n) hear and determine matters concerning state, local, and federal taxes in accordance with §§ 346, 505, and 1146, including without limitation, (i) any requests for expedited determinations under § 505(b) filed, or to be filed, with respect to tax returns for any and all taxable periods ending after the Petition Date through, and including, the date of final distribution under the Plan, and (ii) any other matters relating to the Nonprofit Status of the Post-Effective Date Debtors;

(o) hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and Title 28 of the United States Code;

(p) authorize recovery of all assets of any of the Debtors and property of the applicable Debtor's Estate, wherever located;

(q) consider any and all claims against each Released Party involving or relating to the administration of the Chapter 11 Cases, any rulings, orders, or decisions in the Chapter 11 Cases or any aspects of the Debtors' Chapter 11 Cases and the events leading up to the commencement of the Chapter 11 Cases, including the decision to commence the Chapter 11 Cases, the development and implementation of the Plan, the decisions and actions taken prior to or during the Chapter 11 Cases and any asserted claims based upon or related to prepetition obligations of the Debtors for the purpose of determining whether such claims belong to the Estates or third parties. In the event it is determined that any such claims belong to third parties, then, subject to any applicable subject matter jurisdiction limitations, the Bankruptcy Court shall have exclusive jurisdiction with respect to any such litigation, subject to any determination by the Bankruptcy Court to abstain and consider whether such litigation should more appropriately proceed in another forum;

(r) hear and resolve any disputes regarding the reserves required hereunder, including without limitation, disputes regarding the amounts of such reserves or the amount, allocation and timing of any releases of such reserved funds; and

(s) enter final decrees closing the Chapter 11 Cases.

X.

TAX CONSEQUENCES OF THE PLAN

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers about possible tax issues the Plan may present to these Estates. The Debtors CANNOT and DO NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and accurately all of the tax implications of any action.

XI.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Generally

The following discussion summarizes certain federal¹⁰ income tax consequences of the implementation of the Plan to the Debtors and to U.S. Holders (as defined below) of Claims. The following summary does not address the federal income tax consequences to holders whose Claims are unimpaired or otherwise entitled to payment in full in Cash under the Plan, or to holders of Claims or Interests who are deemed to reject the Plan.

The following summary is based on the Internal Revenue Code of 1986, as amended (the “IRC”), existing and proposed Treasury regulations promulgated thereunder (the “Treasury Regulations”), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the “IRS”), all as in effect on the date hereof. Changes or new interpretations of these rules may have retroactive effect and could significantly affect the federal income tax consequences described below. In December 2017, the federal government enacted broad tax legislation that included significant changes to the taxation of business entities (including entities exempt from taxation under section 501(c)(3) of the IRC) affecting, among other things, the treatment of net operating losses and limitations on the deductibility of “business interest.” Some aspects of this new law are not clear, and, as a result, we cannot assure you that such change in law does not impact the tax considerations that we describe in this summary.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested an opinion of counsel with respect to any of the tax aspects of the Plan. In addition, the Debtors have not requested a ruling from the IRS concerning the federal income tax consequences of the Plan, and the consummation of the Plan is not conditioned upon the issuance of any such ruling. Thus, no assurance can be given as to the interpretation that the IRS or a court of law will adopt.

¹⁰ All references to “federal” taxes refer to tax obligations imposed by the United States of America.

1 This summary does not address state, local or non-United States income or other tax
2 consequences of the Plan, nor does it address the federal income tax consequences of any
3 transaction that may be entered into prior to, concurrently with or subsequent to the Plan
4 (regardless of whether any such transaction is undertaken in connection with the Plan). In addition,
5 this summary does not purport to address the federal income tax consequences of the Plan to special
6 classes of taxpayers (such as former citizens or long-term residents of the United States pursuant to
7 sections 877 or 877A of the IRC, governmental entities, broker-dealers, banks, mutual funds,
8 insurance companies, financial institutions, thrifts, small business investment companies, regulated
9 investment companies, real estate investment trusts, tax-exempt entities other than the Debtors, as
10 applicable, persons whose functional currency is not the U.S. dollar or persons holding a Claim as
11 part of a hedging, straddle, conversion or constructive sale transaction or other integrated
12 investments, persons subject to section 451(b) of the IRC, traders in securities that elect to use a
13 mark-to-market method of accounting for their security holding, pass-through entities (or
14 arrangements classified as pass-through entities) or investors in pass-through entities).
15 **Accordingly, the following summary is for informational purposes only and is not a**
16 **substitute for careful tax planning and professional advice based upon the particular**
17 **circumstances pertaining to a holder of a Claim or Interest.**

18 As used in this section, the term “U.S. Holder” means a beneficial owner of a Claim (as
19 determined for federal income tax purposes) that is: (a) a citizen or an individual resident of the
20 United States; (b) a corporation (or an entity taxable as a corporation for federal income tax
21 purposes) created or organized in or under the laws of the United States or any political subdivision
22 of the United States; (c) an estate the income of which is subject to federal income taxation
23 regardless of its source; or (d) a trust which (i) is subject to the primary supervision of a court within
24 the United States and the control of a United States fiduciary as described in section 7701(a)(30)(E)
25 of the IRC or (ii) has properly elected under applicable Treasury Regulations to be treated as a
26 United States person.

B. Certain Tax Consequences to the Debtors

1. Generally

Each Debtor is a nonprofit corporation that is exempt from federal income taxation under section 501(c)(3) of the IRC. It is intended that nothing in the Plan shall adversely affect, or be interpreted inconsistently with, the tax-exempt status of Post-Effective Date Debtors, and the Plan provides that each Post-Effective Date Debtor will retain its tax-exempt status to the same extent such status existed immediately prior to the Petition Date. Accordingly, the Debtors do not expect the implementation of the Plan to have any adverse federal income tax consequences to the tax-exempt status of Post-Effective Date Debtors. If the tax-exempt status of a Post-Effective Date Debtor were to terminate, that Post-Effective Date Debtor would be subject to tax on its income, which would reduce the amount of distributions payable to the Liquidating Trust. This summary assumes that the Debtors are and will continue to be exempt from federal income tax under section 501 of the IRC.

Organizations that are otherwise exempt from federal income tax under section 501 of the IRC are nevertheless subject to tax on their “unrelated business taxable income” (“UBTI”). UBTI is generally defined as gross income from any unrelated trade or business regularly carried on by a tax-exempt entity less any deductions attributable thereto. An unrelated trade or business consists of any trade or business the conduct of which is not substantially related to the organization’s exempt purpose or function.

UBTI includes unrelated debt-financed income (“UDFI”). UDFI includes income derived from debt-financed property during the taxable year and may include income derived from a sale or other disposition of debt-financed property if there was acquisition indebtedness outstanding with respect to such property during the 12-month period ending with the date of sale or other disposition. Acquisition indebtedness generally includes any debt incurred directly or indirectly to purchase such property. Thus, to the extent that a tax-exempt directly or indirectly (including through an investment in a partnership or other entity (or arrangement) which is treated as a pass-through entity for federal income tax purposes) has income from a trade or business, or earns

1 income in respect of certain leveraged investments, a tax-exempt partner's allocable share of such
2 income generally will be treated as UBTI.

3 If the Debtors retain their tax-exempt status and any of their assets are regarded as UDFI
4 (which generally would not include property substantially all the use of which is substantially
5 related to the exercise or performance by Post-Effective Date Debtors of the purpose or function
6 constituting the basis for its tax-exempt status), Post-Effective Date Debtors may be subject to tax
7 on a percentage of the income (including gain) derived from such assets.

8 **2. Gain or Loss on Sale or Exchange**

9 Under the IRC, a taxpayer must recognize and include in gross income gain on the sale or
10 exchange of assets equal to the excess of the amount realized therefrom over the adjusted basis of
11 the assets. The transfer of assets, in payment and discharge of recourse indebtedness is treated as a
12 sale or exchange of such assets.

13 Each Debtor is exempt from U.S. federal income taxation under section 501(c)(3) of the
14 IRC. Gain realized and recognized in a transfer of assets in payment and discharge of recourse
15 indebtedness would be exempt from U.S. federal income taxation.

16 Each Debtor is also subject to tax on UBTI. Gain on the sale of assets other than property
17 includable in inventory or held primarily for sale to customers in the ordinary course of business is
18 excluded from UBTI under the IRC. Gain on the sale of assets includable in inventory or held
19 primarily for sale to customers is included in UBTI, and is subject to tax.

20 In addition, gain on the sale or exchange of debt-financed property is included in UDFI, and
21 so includable in UBTI, and subject to tax.

22 **3. Cancellation of Debt Income**

23 Under the IRC, a taxpayer generally must include in gross income the amount of any
24 cancellation of indebtedness ("COD") income recognized during the taxable year. COD income
25 generally equals the excess of the adjusted issue price of the indebtedness discharged over the sum
26 of (i) the amount of cash, (ii) the issue price of any new debt, and (iii) the fair market value of any
27 other property transferred by the debtor in satisfaction of such discharged indebtedness (including
28

1 stock). COD income also includes any interest that has been previously accrued and deducted but
2 remains unpaid at the time the indebtedness is discharged.

3 The IRC permits a debtor in bankruptcy to exclude its COD income from gross income if
4 the discharge occurs in a bankruptcy case (“Bankruptcy Exception”) or to the extent that the debtor
5 is insolvent at the time of the discharge (“Insolvency Exception”), either of which should apply to
6 exclude any COD income from taxation in these Chapter 11 Cases.

7 The same analysis applies to UBTI and UDFI. Income excluded from gross income under
8 the Bankruptcy Exception or Insolvency Exception for income tax purposes is also excluded from
9 gross income for UBTI and UDFI purposes. Accordingly, either the Bankruptcy Exception or the
10 Insolvency Exception should apply to exclude any UBTI or UDFI from taxation.

11 **C. Certain Tax Consequences to the U.S. Holders of Claims**

12 **1. Gain or Loss**

13 In general, each U.S. Holder of a Claim will recognize gain or loss equal to the difference, if
14 any, between (i) the “amount realized” by such holder in satisfaction of its Claim (other than
15 amounts, if any, paid in respect of any Claim for accrued but unpaid interest and other than any
16 amounts treated as imputed interest as further described below), and (ii) such holder’s adjusted tax
17 basis in its Claim (other than any Claim for accrued but unpaid interest). A U.S. Holder’s “amount
18 realized” generally will equal the sum of Cash (including, for the avoidance of doubt Cash
19 received, if any, in lieu of credit monitoring services) and fair market value of the undivided
20 interest in the Liquidating Trust Assets received by such holder. Pursuant to an IRS
21 Announcement, the value of the receipt of credit monitoring services at the sole cost of the Debtors
22 shall not be included in the gross income of such recipients. For a discussion of the federal income
23 tax consequences to U.S. Holders of any Claim for accrued but unpaid interest, see below. A U.S.
24 Holder’s tax basis in a Claim should generally equal the amount advanced to the applicable
25 Debtor(s) or an amount included in income as a result of provision of goods or services to the
26 applicable Debtor(s), except to the extent that a bad debt loss had been previously taken.

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

As discussed below (*see* “Tax Treatment of the Liquidating Trust and U.S. Holders of Beneficial Interests”), the Liquidating Trust is intended to be treated as a “grantor trust” for federal income tax purposes, of which the holders of Allowed Claims, whether Allowed on or after the Effective Date, are the grantors. Accordingly, each holder of an Allowed Claim is intended to be treated and, pursuant to the Plan and the Liquidating Trust Agreement, is required to report for federal income tax purposes, as directly receiving, and as a direct owner of, its respective share of the Liquidating Trust Assets, except as otherwise discussed below (*see* “Tax Treatment of the Liquidating Trust and U.S. Holders of Beneficial Interests”). Pursuant to the Plan and Liquidating Trust Agreement, the Liquidating Trustee will make a good faith valuation of the Liquidating Trust Assets, and all parties must consistently use such valuation for all federal income tax purposes.

It is possible that a U.S. Holder of an Allowed Claim may be treated for tax purposes as receiving additional distributions subsequent to the Effective Date as a result of (i) additional contributions made by Post-Effective Date Debtors to the Liquidating Trust and/or (ii) any subsequently disallowed Disputed Claims or unclaimed distributions. In that event, the U.S. Holder may be treated as having received additional amounts in respect of its Allowed Claim, and the imputed interest provisions of the IRC may apply to treat a portion of such later distributions to a U.S. Holder as imputed interest. In addition, it is possible that any loss realized by a U.S. Holder in satisfaction of an Allowed Claim may be deferred until all subsequent distributions are determinable.

Except as otherwise noted above, after the Effective Date, any amount a U.S. Holder of an Allowed Claim receives as a distribution from the Liquidating Trust in respect of its beneficial interest in the Liquidating Trust should not be included, for federal income tax purposes, in the holder’s amount realized in respect of its Allowed Claim since such holder would already be regarded for federal income tax purposes as owning the underlying assets (and would already have realized any associated income). *See* “Tax Treatment of the Liquidating Trust and U.S. Holders of Beneficial Interests” *infra*.

Where gain or loss is recognized by a U.S. Holder in respect of its Allowed Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including, among others, the nature and origin of the Claim, the tax status of the U.S. Holder, whether the Claim constitutes a capital asset in the hands of the U.S. Holder and how long it has been held, and whether and to what extent the U.S. Holder had previously claimed a bad debt deduction in respect of such Claim. A U.S. Holder that purchased its Claim from a prior holder at a market discount may be subject to the market discount rules of the IRC. Under those rules, assuming that such holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a *de minimis* rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

2. Distributions in Discharge of Accrued Interest or OID

Pursuant to the Plan, all distributions by the Liquidating Trustee with respect to any Allowed Claim, with the exception of the Secured 2005 Revenue Bond Claim, will be allocated first to the principal amount of such Allowed Claim, as determined for U.S. federal income tax purposes, and thereafter, to the remaining portion of such Allowed Claim (including the interest portion thereof), if any. Current federal income tax law is unclear on this point, and no assurance can be given that the IRS will not challenge the Debtors' position. Holders of Claims are urged to consult their own tax advisors regarding the particular federal income tax consequences to them of the treatment of accrued but unpaid interest or original issue discount ("OID"), as well as the character of any loss claimed with respect to accrued but unpaid interest previously included in gross income.

In general, to the extent that any distribution to a U.S. Holder of a Claim is received in satisfaction of interest or OID accrued or amortized during the time such holder held the Claim, such amount will, unless exempt pursuant to special rules under the IRC, be taxable to such holder as interest income (if not previously included in such holder's gross income). Conversely, a U.S.

Holder will generally recognize a deductible ordinary loss to the extent of any Claim for accrued interest that previously was included in its gross income and that is not paid in full. However, the treatment of unpaid OID that was previously included in income is less clear. The IRS has privately ruled that a holder of a debt obligation in an otherwise tax-free exchange could not claim a current deduction with respect to any unpaid OID. Accordingly, it is possible that, by analogy, a holder of a Claim in a taxable exchange would be required to recognize a capital loss, rather than an ordinary loss, with respect to any previously included OID that is not paid in full. Holders are urged to consult their tax advisors regarding the allocation of consideration and the deductibility of accrued but unpaid interest or OID for federal income tax purposes.

3. Tax Treatment of the Liquidating Trust and U.S. Holders of Beneficial Interests

Upon the Effective Date, the Liquidating Trust will be established for the benefit of the holders of Allowed Unsecured Claims, whether Allowed on or after the Effective Date.

The Liquidating Trust is intended to qualify as a liquidating trust for U.S. federal income tax purposes. In general, a liquidating trust is not a separate taxable entity, but rather is treated for federal income tax purposes as a “grantor trust” (*i.e.*, a pass-through entity), such that the holders of beneficial interests therein are treated as owning an undivided interest in the assets of the trust. However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684 (“Rev. Proc. 94-45”), set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Liquidating Trust will be structured with the intention of complying with such general criteria. Pursuant to the Plan and Liquidating Trust Agreement, and in conformity with Rev. Proc. 94-45, all parties are required to treat, for federal income tax purposes, the Liquidating Trust (except in respect of any Liquidating Trust Assets allocable to Disputed Claims) as a grantor trust of which the beneficiaries of the Liquidating Trust are the owners and grantors. The discussion herein assumes that the Liquidating Trust will be so respected for federal income tax purposes. However, no ruling has been requested from the IRS,

1 and no opinion of counsel has been requested concerning the tax status of the Liquidating Trust as a
2 grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary
3 position. Were the IRS to successfully challenge the trust classification (including because
4 Post-Effective Date Debtors have the continuing obligation to make additional contributions to the
5 Liquidating Trust), the federal income tax consequences to the Liquidating Trust and the U.S.
6 Holders of Claims may vary significantly from those discussed herein, including the potential for
7 an entity level tax on any income of the Liquidating Trust. Holders of Allowed Claims are urged to
8 consult with their tax advisors regarding potential alternative characterizations.

9 a. General Tax Reporting by the Liquidating Trustee and Beneficiaries of the
10 Liquidating Trust

11 For all federal income tax purposes, all parties must treat each transfer of Liquidating Trust
12 Assets to the Liquidating Trust in accordance with the terms of the Plan.

13 Pursuant to the Plan and Liquidating Trust Agreement, each transfer of Liquidating Trust
14 Assets (other than any assets allocable to Disputed Claims) to the Liquidating Trust is treated, for
15 federal income tax purposes, as (i) a transfer of such assets directly to the holders of Claims that
16 constitute beneficiaries of the Liquidating Trust in partial satisfaction of their Claims (with each
17 beneficiary of the Liquidating Trust receiving an undivided interest in such assets in accordance
18 with their economic interests in such assets), followed by (ii) the transfer by the beneficiaries of the
19 Liquidating Trust to the Liquidating Trust of such assets in exchange for the beneficial interests in
20 the Liquidating Trust. Accordingly, all parties must treat the Liquidating Trust as a grantor trust, of
21 which the beneficiaries of the Liquidating Trust are the owners and grantors, and treat the
22 beneficiaries of the Liquidating Trust as the direct owners of an undivided interest in Liquidating
23 Trust Assets (other than any assets allocable to Disputed Claims), consistent with their economic
24 interests therein, for all federal income tax purposes. The economic interests of U.S. Holders of
25 Unsecured Claims will be determined with respect to their interest in the Plan Fund (other than any
26 assets allocable to the reserve for Disputed Unsecured Claims). It is unclear whether a U.S. Holder
27 of an Unsecured Claim will be required to treat cash distributed from the Disputed Claims Reserve
28

1 to the Plan Fund (other than assets allocated to the reserve for Disputed Unsecured Claims) (x) as
2 an additional “amount realized” with respect to its Claim, thereby resulting in additional gain (or
3 reduced loss) on its Claim at such time, or (y) an “amount realized” with respect to its interest in the
4 Liquidating Trust.

5 Pursuant to the Plan and Liquidating Trust Agreement, the Liquidating Trustee will make a
6 good faith valuation of the Liquidating Trust Assets. All parties must consistently use such
7 valuation for all federal income tax purposes.

8 Allocations of the Liquidating Trust’s taxable income (other than income attributable to
9 assets in the Disputed Claims Reserve or reserve for Disputed Unsecured Claims) among the
10 beneficiaries of the Liquidating Trust shall be determined by reference to the manner in which an
11 amount of Cash equal to such taxable income would be distributed (without regard to any
12 restrictions on distributions) if, immediately prior to such deemed distribution, the Liquidating
13 Trust had distributed all of its other assets (valued at their tax book value and other than assets
14 allocable to Disputed Claims) to the beneficiaries of the Liquidating Trust, in each case up to the
15 tax book value of the assets treated as contributed by such beneficiaries of the Liquidating Trust,
16 adjusted for prior taxable income and loss and taking into account all prior and concurrent
17 distributions from the Liquidating Trust. Similarly, taxable loss of the Liquidating Trust shall be
18 allocated by reference to the manner in which an economic loss would be borne immediately after a
19 liquidating distribution of the remaining Liquidating Trust Assets. The tax book value (or tax
20 basis) of the Liquidating Trust Assets for this purpose shall equal their fair market value on the date
21 such assets are transferred to the Liquidating Trust, adjusted in accordance with tax accounting
22 principles prescribed by the IRC, applicable Treasury regulations, and other applicable
23 administrative and judicial authorities and pronouncements.

24 Taxable income or loss allocated to a beneficiary of the Liquidating Trust will be treated as
25 income or loss with respect to such beneficiary’s undivided interest in the Liquidating Trust Assets,
26 and not as income or loss with respect to its prior Allowed Claim. The character of any income and
27
28

1 the character and ability to use any loss will depend on the particular situation of the beneficiary of
2 the Liquidating Trust.

3 The federal income tax obligations of a beneficiary of the Liquidating Trust are not
4 dependent on the Liquidating Trust distributing any Cash or other proceeds. Therefore, a
5 beneficiary of the Liquidating Trust may incur a federal income tax liability with respect to its
6 allocable share of Liquidating Trust income even if the Liquidating Trust does not make a
7 concurrent distribution to the beneficiary of the Liquidating Trust. In general, other than in respect
8 of Liquidating Trust Assets allocable to Disputed Claims, a beneficiary of the Liquidating Trust
9 should not be separately taxable on a distribution from the Liquidating Trust since the beneficiary
10 of the Liquidating Trust already is regarded for federal income tax purposes as owning the
11 underlying assets (and was taxed at the time the income was earned or received by the Liquidating
12 Trust).

13 The Liquidating Trustee will file with the IRS returns for the Liquidating Trust as a grantor
14 trust pursuant to Treasury Regulation section 1.671-4(a). The Liquidating Trustee also shall
15 annually send to each beneficiary of the Liquidating Trust a separate statement setting forth the
16 holder's share of items of income, gain, loss, deduction, or credit and will instruct all of the
17 beneficiaries of the Liquidating Trust to report such items on their federal income tax returns or to
18 forward the appropriate information to such beneficiary's underlying beneficial holders with
19 instructions to report such items on their U.S. federal income tax returns.

20 **b. Tax Treatment of the Disputed Claims Reserve and Reserve for Disputed**
21 **Unsecured Claims**

22 The Liquidating Trustee shall (x) treat the Disputed Claims Reserve and the reserve for
23 Disputed Unsecured Claims as "disputed ownership funds" governed by Treasury Regulation
24 section 1.468B-9 by timely making an election, and (y) to the extent permitted by applicable law,
25 report consistently with the foregoing for state and local income tax purposes.

26 The Disputed Claims Reserve and the reserve for Disputed Unsecured Claims will be
27 subject to tax annually on a separate entity basis on any net income earned with respect to the
28

Liquidating Trust Assets allocable thereto. A disputed ownership fund is taxed in a manner similar to either a corporation or a “qualified settlement fund,” within the meaning of applicable Treasury Regulations, depending on the nature of the assets transferred to it. It is expected that the Disputed Claims Reserve and the reserve for Disputed Unsecured Claims will be taxed as qualified settlement funds (taxable at the maximum rate applicable to trusts and estates, currently 37%) because all of the assets transferred to them should be treated as passive assets. All distributions from either the Disputed Claims Reserve or the reserve for Disputed Unsecured Claims to U.S. Holders of Allowed Claims (which distributions will be net of the related expenses of the reserve) will be treated as received by such holders in respect of their Claims as if distributed by the Debtors. All parties will be required to report for tax purposes consistently with the foregoing.

Holders of Allowed Claims should consult their tax advisors with respect to the U.S. federal income tax consequences of becoming a beneficiary of the Liquidating Trust.

D. Information Reporting and Withholding

Other than amounts paid to the Indenture Trustees, all distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding obligations (including employment tax withholding, if any). Under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to “backup withholding” at the then-applicable rate (currently 24%). Backup withholding generally applies if the holder: (i) fails to furnish its social security number or other taxpayer identification number (“TIN”); (ii) furnishes an incorrect TIN; (iii) fails properly to report interest or dividends; or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is such holder’s correct number and that such holder is a United States person that is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

1 In addition, from an information reporting perspective, applicable Treasury Regulations
2 generally require disclosure by a taxpayer on its federal income tax return of certain types of
3 transactions in which the taxpayer participated, including, among others, certain transactions that
4 result in the taxpayer claiming a loss in excess of specified thresholds. Holders are urged to consult
5 their tax advisors regarding these regulations and whether the transactions contemplated by the
6 Plan would be subject to these Treasury Regulations and require disclosure on the holders' federal
7 income tax returns.

8 **E. Importance of Obtaining Professional Tax Assistance**

9 THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF
10 CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A
11 SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE
12 ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX
13 ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY
14 VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES.
15 ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS
16 ABOUT THE FEDERAL, STATE, LOCAL AND NON-UNITED STATES INCOME AND
17 OTHER TAX CONSEQUENCES OF THE PLAN.

18 **XII.**

19 **SECURITIES LAW DISCUSSION RELATED TO TRUST BENEFICIAL INTERESTS**

20 The Trust Beneficial Interests are not expected to be deemed "securities" within the
21 meaning of the federal securities laws, including the Securities Act of 1933 (the "1933 Act"), and
22 the distribution of the Trust Beneficial Interests will not be registered under the 1933 Act. The
23 Liquidating Trust will not be registered or reporting under either the Securities Exchange Act of
24 1934 (the "1934 Act") or under the Investment Company Act of 1940 (the "1940 Act"). The
25 Liquidating Trust Agreement provides that the Trust Beneficial Interests may not be assigned or
26 otherwise transferred by any holder other than: (i) to any relative, spouse or relative of the spouse of
27 such holder; (ii) by will or pursuant to the laws of descent and distribution; and (iii) upon the
28

1 dissolution of such holder in accordance with the operation of law; provided, however, that any
2 such transfer will not be effective until and unless the Liquidating Trustee receives written notice of
3 such transfer. No beneficiary may subdivide beneficial interests in the Liquidating Trust except as
4 set forth in the prior sentence.

5 There is not expected to be any trading market created in Trust Beneficial Interests, and the
6 Trust Beneficial Interests will have extremely limited or no liquidity. Pursuing Causes of Action in
7 the Liquidating Trust and liquidating assets placed in the Liquidating Trust may take several years,
8 and distributions, if any, from the Liquidating Trust will be over time.

9 The Trust Beneficial Interests are not expected to be deemed “securities” within the
10 meaning of the federal securities laws, however, if they were to be deemed securities, we believe
11 that the distribution of the Trust Beneficial Interests to holders will be exempt from registration
12 under § 1145. Similarly, in the unlikely event that the Trust Beneficial Interests are deemed
13 “securities,” we believe that the Trust Beneficial Interests will not be required to be registered
14 under Section 12(g) of the 1934 Act because we expect that there will be no more than 2,000 total
15 holders of such interest and no more than 500 of such holders who do not qualify as “accredited
16 investors” within the meaning of the 1933 Act. In addition, as noted above, there is effectively no
17 secondary market or any trading market for the interest, and they will not be listed on any stock
18 exchange or tradable on any other trading system or platform. We understand that the assets
19 themselves of the Liquidating Trust are also not likely to be deemed “securities” within the
20 meaning of the federal securities laws. However, in the unlikely event that any assets of the
21 Liquidating Trust would be securities, we believe that no more than 40% of the assets would be
22 deemed securities, and, if so, the Liquidating Trust would not be deemed an “investment company”
23 under Section 3(a)(1)(C) of the 1940 Act. In the extremely unlikely event that 40% or more of the
24 Liquidating Trust’s assets would be deemed securities, we believe that the Liquidating Trust would
25 not be required to register as an “investment company” in reliance on Section 7(b) of the 1940 Act
26 in as much as the Liquidating Trust’s activities are and will be incidental to its dissolution.

The holders of the Trust Beneficial Interest under the Plan are expected to be the Holders of Allowed Claims on account of the 2005 Revenue Bonds Diminution Claim and the General Unsecured Creditors.

XIII.

CONFIRMATION REQUIREMENTS AND PROCEDURES

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A CHAPTER 11 PLAN IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing claims. The Debtors CANNOT and DO NOT represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Court can confirm a plan. Some of the requirements include that the plan must be proposed in good faith, acceptance of the plan, whether the plan pays creditors at least as much as creditors would receive in a chapter 7 liquidation, and whether the plan is feasible. These requirements are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan, but, as explained below, not everyone is entitled to vote to accept or reject the Plan.

B. Who May Vote to Accept or Reject the Plan

A creditor or interest holder has a right to vote for or against the Plan if that creditor or interest holder has a claim or interest which is both (1) allowed or allowed for voting purposes and (2) classified in an impaired class.

C. What Is an Allowed Claim or Interest

As noted above, a creditor or interest holder must first have an allowed claim or interest to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party in interest files an objection to the claim or interest. When an objection to a claim or interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless the Bankruptcy Court,

1 after notice and hearing, either overrules the objection or allows the claim or interest for voting
2 purposes.

3 THE BAR DATE FOR FILING A PROOF OF CLAIM IN THESE CHAPTER 11 CASES
4 ON ACCOUNT OF PREPETITION CLAIMS WAS APRIL 1, 2019. A creditor or interest holder
5 may have an allowed claim or interest even if a proof of claim or interest was not timely filed. A
6 claim is deemed allowed if (1) it is scheduled on the Debtors' schedules and such claim is not
7 scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the
8 claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the
9 interest.

10 **D. What Is an Impaired Claim or Interest**

11 As noted above, an allowed claim or interest has the right to vote only if it is in a class that is
12 impaired under the Plan. A class is impaired if the Plan alters the legal, equitable, or contractual
13 rights of the members of that class. For example, a class comprised of general unsecured claims is
14 impaired if the Plan fails to pay the members of that class 100% of what they are owed.

15 The Debtors believe that members of Classes 2 through 10 are impaired and are entitled to
16 vote to accept or reject the Plan. Parties who dispute the Debtors' characterization of their claim or
17 interest as being impaired or unimpaired may file an objection to the Plan contending that the
18 Debtors have incorrectly characterized the class.

19 **E. Who Is Not Entitled to Vote**

20 The following four types of claims are not entitled to vote: (1) claims that have been
21 disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to §§
22 507(a)(2), (a)(3), and (a)(8); and (4) claims in classes that do not receive or retain any value under
23 the Plan (Classes 11 and 12). Claims in unimpaired classes are not entitled to vote because such
24 classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to §§ 507(a)(2),
25 (a)(3), and (a)(8) are not entitled to vote because such claims are not placed in classes and they are
26 required to receive certain treatment specified by the Bankruptcy Code. Claims in classes that do
27 not receive or retain any value under the Plan do not vote because such classes are deemed to have
28

1 rejected the Plan. EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU
2 MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

3 **F. Who Can Vote in More Than One Class**

4 A creditor whose claim has been allowed in part as a secured claim and in part as an
5 unsecured claim is entitled to accept or reject the Plan in both capacities by casting one ballot for
6 the secured part of the claim and another ballot for the unsecured claim.

7 **G. Votes Necessary to Confirm the Plan**

8 If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired
9 class has accepted the Plan without counting the votes of any insiders within that class, and (2) all
10 impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by
11 “cramdown” on non-accepting classes, as discussed below.

12 **H. Votes Necessary for a Class to Accept the Plan**

13 A class of claims is considered to have accepted the Plan when more than one-half (1/2) in
14 number and at least two-thirds (2/3) in dollar amount of the claims which actually voted on the
15 plan, voted in favor of the plan. A class of interests is considered to have “accepted” a plan when at
16 least two-thirds (2/3) in amount of the interest-holders of such class which actually voted on the
17 plan, voted to accept the plan.

18 **I. Treatment of Non-Accepting Classes**

19 As noted above, even if all impaired classes do not accept the Plan, the Court may
20 nonetheless confirm the Plan if the non-accepting classes are treated in the manner required by the
21 Bankruptcy Code. The process by which non-accepting classes are forced to be bound by the terms
22 of a plan is commonly referred to as “cramdown.” The Bankruptcy Code allows the Plan to be
23 “crammed down” on non-accepting classes of claims or interests if it meets all consensual
24 requirements except the voting requirements of § 1129(a)(8) and if the Plan does not “discriminate
25 unfairly” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan
26 as referred to in § 1129(b) and applicable case law.

J. Request for Confirmation Despite Non-Acceptance by Impaired Class(es)

The Debtors will ask the Bankruptcy Court to confirm the Plan by cramdown on any and all impaired classes that do not vote to accept the Plan. However, it must be noted that the Debtors are, in large part, nonprofits, and, therefore, the applicability of the “absolute priority rule” is unclear. Some courts seemingly have concluded that the structural limitations of nonprofits render the absolute priority rule categorically inapplicable without the need for a fact-specific analysis of the ownership structure at issue. *See, e.g., In re Henry Mayo Newhall Mem’l Hosp.*, 282 B.R. 444, 453 (B.A.P. 9th Cir. 2002) (“[T]he Hospital’s nonprofit status puts creditors in an unusually disadvantaged negotiating position because they are not able to assert the Bankruptcy Code’s absolute priority rule to block unacceptable plans”); *In re Independence Vill., Inc.*, 52 B.R. 715, 726 (Bankr. E.D. Mich. 1985) (“[The debtor] is a non-profit corporation. It has no shareholders, hence there are no interests inferior to the unsecured creditors. Thus there should be little difficulty with the absolute priority rule”) (citations omitted).

K. Liquidation Analysis

Another confirmation requirement is the “Best Interest Test,” which requires a liquidation analysis that demonstrates that, if a claimant or interest holder is in an impaired class and that claimant or interest holder does not vote to accept the Plan, than that claimant or interest holder must receive or retain under the Plan property of a value not less than the amount that such holder would receive or retain if the Debtors were forced to liquidate under chapter 7 of the Bankruptcy Code.

It is not at all clear that this test applies in the bankruptcy of a nonprofit company. Unlike in the bankruptcy of a for-profit entity, the Bankruptcy Code and state law may preclude or restrict the forced sale of a nonprofit’s assets. 11 U.S.C. §§ 1112(c), 303. By way of example, under § 1112(c), a nonprofit’s creditors cannot force a nonprofit to convert its chapter 11 case to a chapter 7, nor under § 303 can they file an involuntary petition against a nonprofit. Similarly, state statutes impose stringent requirements on the transfer or sale of a nonprofit debtor’s assets, *see, e.g., CAL.*

CORP. CODE §§ 5913, 7913, 9633 5, and the involuntary dissolution of a nonprofit, *see, e.g.*, CAL. CORP. CODE §§ 6510-6519, 8510-8519, 9680.

Assuming, *arguendo*, that the Best Interest Test applies to nonprofits, the Debtors easily satisfy the test because creditors receive more under the Plan than if the case were converted to chapter 7, particularly considering that there are two operating general acute care hospitals (St. Francis and Seton) post-effective date until the buyers obtain their licenses pursuant to the relevant agreements. Generally, in a chapter 7 case, (i) the debtor's assets are usually sold by a chapter 7 trustee, (ii) secured creditors are paid first from the sales proceeds of properties on which the secured creditor has a lien, (iii) administrative claims are paid thereafter, (iv) unsecured creditors are paid after administrative claims from any remaining sales proceeds, according to their rights to priority, (v) unsecured creditors with the same priority share in proportion to the amount of their allowed claim in relationship to the amount of total allowed unsecured claims, and (vi) finally, interest holders receive the balance that remains after all creditors are paid, if any.

Here, in the event of a conversion of the Chapter 11 Cases to chapter 7, one or more chapter 7 trustees would be appointed to administer the Debtors' assets. A chapter 7 trustee(s) would be completely unfamiliar with the vast complexities of these Chapter 11 Cases and would be under a statutory duty to liquidate the Debtors' assets as expeditiously as possible. *See* 11 U.S.C. § 704(a)(1).

Since the Bankruptcy Code does not automatically authorize the chapter 7 trustee to operate the Debtors' businesses following a conversion to chapter 7, the chapter 7 trustee would be required to seek authority to continue operating the Debtors after obtaining approval from the U.S. Trustee to make such request. *See, e.g.*, 11 U.S.C. § 721 ("The court may authorize the trustee to operate the business of the debtor for a limited period, if such operation is in the best interest of the estate and consistent with the orderly liquidation of the estate."); Executive Office for the United States Trustee, *Handbook for Chapter 7 Trustees*, U.S. Dept. of Justice at 4-30 (Oct. 1, 2012) ("The trustee must consult with the United States Trustee prior to seeking authority to operate the business[.]"). The a chapter 7 trustee's discretion to move for an operating order under § 721, and

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 the willingness of the U.S. Trustee and Court to grant such request, presents significant potential
2 risks to creditor recoveries in chapter 7 for several important reasons. First, the Interim
3 Agreements contemplate the continued operation of SFMC and Seton following the Effective Date,
4 which a cessation of operations following conversion to chapter 7 would violate, and result in estate
5 liability, under the Interim Agreements, SFMC Asset Purchase Agreement, and/or Seton Asset
6 Purchase Agreement. Second, the Plan contemplates the Post-Effective Date Debtors' continued
7 operation following the Effective Date to recovery QAF Payments and other receivables that
8 represent significant sources of post-Effective Date recovery to the Debtors' Estates. Thus, the risk
9 that the Debtors would not continue to operate in a hypothetical chapter 7 case represents a
10 substantial risk to creditor recoveries as compared to the Plan. That a chapter 7 trustee would seek
11 and obtain an operating order is a significant assumption of the projected chapter 7 recoveries in the
12 Liquidation Analysis attached hereto as Exhibit "A".

13 Following the appointment of a chapter 7 trustee, the chapter 7 trustee would presumably
14 hire new professionals who are equally unfamiliar with the vast complexities of these Chapter 11
15 Cases. If the chapter 7 trustee is authorized to continue operating the Debtors, the chapter 7 trustee
16 would likely retain healthcare operations advisors to assist in the management of the Debtors'
17 hospitals. A change in management of the Debtors, alone, would represent a monumental task for
18 the chapter 7 trustee and professionals, and would require quick familiarization with hospital
19 operations, QAF Payments and other receivables, status of the SFMC Sale and Seton Sale, the
20 Debtors' ongoing litigation, among a litany of other historically complex issues. Regardless
21 whether the chapter 7 trustee continues operations, the chapter 7 trustee would likely retain
22 attorneys, financial advisors, and other professionals to engage in the complicated process of
23 liquidating the Debtors' assets and providing distributions to creditors. The Debtors anticipate that
24 this process would be lengthy and costly given the Debtors' complex structure and liabilities,
25 particularly without the more streamlined substantive consolidation of the Debtors' assets and
26 liabilities proposed under the Plan. The Debtors estimate, for purposes of the Liquidation Analysis,
27 that the chapter 7 trustee's liquidation and distribution efforts would take at least four years from
28

1 the date of conversion, but, as with other complex cases, the period is likely to be substantially
2 longer.

3 The result of a chapter 7 trustee's employment a substantial number of professionals
4 unfamiliar with these complex Chapter 11 Cases would be the incurrence of an extraordinary
5 amount of additional professional fees. By contrast, the Debtors' professionals are skilled and
6 already intimately familiar with these Chapter 11 Cases, continuing with their current roles. Other
7 than the treatment of the Secured 2005 Revenue Bond Claims, a portion of which (the 2005
8 Revenue Bonds Diminution Claim) the Master Trustee and the 2005 Revenue Bonds Trustee have
9 agreed to defer in order to allow the Debtors the ability to satisfy all Allowed Administrative
10 Claims on the Effective Date, the treatment of creditors in the context of chapter 7 liquidations
11 would be the same as they are under the Plan. Through the significant cost savings of the confirmed
12 Plan as compared to conversion to chapter 7, holders of allowed claims will receive more under the
13 Plan than they would receive in converted chapter 7 bankruptcies (and certainly at least as much
14 under the Plan).

15 The advantages of finishing a liquidation in chapter 11 are not just "common knowledge"
16 among professionals. Experts have also concluded that conversion to chapter 7 offers few
17 advantages over liquidation in chapter 11: cases converted from chapter 11 to chapter 7 take
18 significantly longer to resolve than a "pure" chapter 11 liquidation, and such cases require similar,
19 if not greater, fees, and in the end provide creditors with statistically lower recovery rates—often
20 zero—than a comparable Chapter 11 procedure. *See* Arturo Bris, Ivo Welch and Ning Zhu, *The*
21 *Costs of Bankruptcy: Chapter 7 Liquidation versus Chapter 11 Reorganization*, 61(3) THE
22 JOURNAL OF FINANCE 1253-1303 (Feb. 2006). As discussed in more detail in the Liquidation
23 Analysis attached as Exhibit A hereto, the Debtors have satisfied the "Best Interest Test" with
24 respect to members of any Class who do not vote to accept the Plan. The Debtors submit that the
25 Plan provides fair and equitable treatment of all classes of creditors and the greatest feasible
26 recovery to all creditors.

L. Feasibility

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Post-Effective Date Debtors.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtors will have enough cash on hand on the Effective Date to pay all the claims and expenses which are entitled to be paid on such date. Since the Debtors already have enough cash on hand to pay all the claims and expenses which are entitled to be paid on the Effective Date, this first aspect of Plan feasibility has clearly been satisfied. The second aspect considers whether the Post-Effective Date Debtors will have enough cash over the life of the Plan to make the required Plan payments. Since the Plan is a liquidating Plan, where all Estate funds will be distributed to holders of allowed claims, this second aspect of Plan feasibility has, by definition, been satisfied.

XIV.

RISK FACTORS REGARDING THE PLAN

Since the Plan is a liquidating Plan, the funds of the Debtors' Estates will be distributed to holders of allowed claims, and there is no traditional "risk" to the ability of the Debtors to perform under the Plan. However, given the large number of uncertainties at this time, including (i) the manner in which disputed Class 8 Claims will be resolved, and (ii) the amount of net proceeds on Causes of Action which the Liquidating Trust will ultimately recover, it is not possible for the Debtors to provide any reliable estimate at this time as to the expected ultimate recovery for Holders of General Unsecured Claims.

Section 12.2 of the Plan provides that the Effective Date is conditioned on the closing of the SFMC Sale and the Seton Sale, and the Plan will not be feasible if the SFMC Sale and Seton Sale do not close because the sale proceeds are needed to fund the Plan. Of particular note, the SFMC Sale and Seton Sale have not yet been approved by the Attorney General who is currently reviewing both sales. The Debtors anticipate that the sales will close if the Attorney General approves the SFMC Sale and Seton Sale with conditions substantially similar to those set forth in

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

Exhibit 5.8(c) of the SFMC Asset Purchase Agreement and Schedule 8.5 of the Seton Asset Purchase Agreement. If the conditions are not substantially similar to those set forth in the asset purchase agreements and SFMC or Seton, the SFMC Sale or the Seton Sale, as applicable, will not close based on those conditions, the Debtors will file a motion requesting the Court enforce the order and the original conditions under § 363. The failure of the SFMC Sale or Seton Sale to close would have other ramifications in these Chapter 11 Cases. Among others, the Plan would need to be modified. Additionally, while the Debtors cannot predict every scenario, it is likely the Debtors may need to close Seton due to its ongoing operating losses, which may result in Seton being sold as real estate for redevelopment rather than a health care facility. Further, there can be no assurance that the Debtors can obtain extended access to cash collateral to provide the additional liquidity or that an alternative source of financing would be available to fund operations of SFMC until an alternative deal could be negotiated and closed. Any such financing may be on different and more expensive and onerous terms. Any alternative sale transaction may also be subject to approval by the Attorney General who may raise similar concerns about approving any alternative transaction or buyer. Were any of the Hospitals to be closed instead of sold as a going concern, the sales proceeds in a liquidation of the Hospitals would be many millions of dollars less than under the SFMC Sale and Seton Sale, collection of receivables and fees may be reduced and delayed, and there would also be substantial additional claims, including, without limitation, additional rejection damage claims, employee severance claims and other claims which are no longer being assumed or paid by Prime or AHMC as buyers. Employees would also lose their jobs and the community and patients would lose access to a conveniently located safety net health care provider.

XV.

DEEMED SUBSTANTIVE CONSOLIDATION

The Plan provides for the “deemed” substantive consolidation of the Debtors. This Disclosure Statements sets forth (i) the legal requirements to establish deemed substantive consolidation, and (ii) the factual bases supporting the Debtors’ request for deemed substantive consolidation. As set forth in the Plan, this Disclosure Statement and the Plan shall be deemed a

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 motion requesting that the Bankruptcy Court approve the deemed substantive consolidation
2 contemplated by the Plan at the Confirmation Hearing, unless otherwise separately scheduled.
3 Objections to the proposed deemed substantive consolidation must be made in writing on or before
4 the deadline to object to confirmation of the Plan, or such other date as may be fixed by the
5 Bankruptcy Court. The Bankruptcy Court will schedule a hearing with respect to timely filed
6 objections, which the Bankruptcy Court may schedule contemporaneously with the Confirmation
7 Hearing. The Plan Proponents reserve all rights with respect to such objections, including, but not
8 limited to, the right to further supplement the facts and legal analysis in support of deemed
9 substantive consolidation as set forth in this Disclosure Statement or the Plan.

10 If the Bankruptcy Court determines that deemed substantive consolidation of any given
11 Debtor is not appropriate, then the Plan Proponents may request that the Bankruptcy Court
12 otherwise confirm the Plan and approve the treatment of, and distributions to, the different Classes
13 under the Plan on an adjusted, Debtor-by-Debtor basis. Furthermore, the Plan Proponents reserve
14 their rights (i) to seek confirmation of the Plan without implementing deemed substantive
15 consolidation of any given Debtor, and, in the Plan Proponents' reasonable discretion, to request
16 that the Bankruptcy Court approve the treatment of, and distributions to, any given Class under the
17 Plan on an adjusted, Debtor-by-Debtor basis; and (ii) to seek to substantively consolidate all
18 Debtors into VHS if all Impaired Classes entitled to vote on the Plan vote to accept the Plan.

19 As will be set forth in more detail in the Debtors' brief in support of confirmation of the
20 Plan, the Debtors believe deemed substantive consolidation is appropriate here.

21 **A. The Effect of Deemed Substantive Consolidation**

22 Substantive consolidation refers to the consolidation of the assets and liabilities of different
23 legal entities "so that the assets and liabilities are dealt with as if the assets were held by, and the
24 liabilities were owed by, a single legal entity." 1 COLLIER ON BANKRUPTCY MANUAL, ¶
25 105.09[1][a] (2019). "The primary purpose of substantive consolidation 'is to ensure the equitable
26 treatment of all creditors.'" *In re Bonham*, 229 F.3d 750, 764 (9th Cir. 2000) (quoting *In re*
27 *Augie/Restivo Baking Co., Ltd.*, 860 F.2d 515, 518 (2d Cir. 1988)); see also *Bonham*, 229 F.3d at
28

1 765 (“fairness to creditors” is the “sole aim” of substantive consolidation) (citations omitted).
2 However, “[t]he requirement to ‘benefit all creditors’ does not mean each and every creditor but
3 rather the creditor body as a whole.” *In re Owners Management Services LLC Trustee Corps.*, 530
4 B.R. 711, 739 (Bankr. C.D. Cal. 2015).

5 Upon entry of a substantive consolidation order, the “consolidated assets create a single
6 fund from which all claims against the consolidated debtors are satisfied; duplicate and
7 inter-company claims are extinguished; and, the creditors of the consolidated entities are combined
8 for purposes of voting on reorganization plans.” *Bonham*, 229 F.3d at 764 (citing *Augie/Restivo*
9 *Baking Co., Ltd.*, 860 F.3d at 518).

10 “Deemed consolidation” is a court-developed alternative to substantive consolidation. The
11 primary distinction between the two is that, unlike substantive consolidation, the deemed
12 consolidation alternative will “not result in the merger of or the transfer or commingling of any
13 assets of the Debtors . . . [which] will continue to be owned by the respective Debtors.” *In re*
14 *Owens Corning*, 419 F.3d 195, 202 (3d Cir. 2005) (quotations omitted). Simply put, substantive
15 consolidation actually combines debtors’ assets and liabilities in a singular entity whereas deemed
16 consolidation merely treats the assets and liabilities as if they were pooled without actually merging
17 the debtor entities.

18 Here, as set forth below, deemed consolidation for creditor distribution purposes is
19 appropriate to avoid the impact consolidation of the legal entities may have on matters such as
20 licensing and the proposed sale-leaseback of certain Hospital assets post-confirmation, as set forth
21 in the SFMC Asset Purchase Agreement and Seton Asset Purchase Agreement.

22 **B. The Facts of the Chapter 11 Cases Satisfy Each Independent Basis for Deemed**
23 **Substantive Consolidation**

24 Courts developed the deemed consolidation analysis, which is not otherwise set forth in the
25 Bankruptcy Code. *See Bonham*, 229 F.3d at 764 (“Although substantive consolidation was not
26 codified . . . courts, as well as the bankruptcy rules, recognize its validity and have ordered
27 substantive consolidation subsequent to the enactment of the Bankruptcy Code.”). In the Ninth
28

1 Circuit, courts conduct the deemed substantive consolidation analysis on a “case-by-case” basis
2 following “a searching review of the record.” *Bonham*, 229 F.3d at 765 (citation omitted). The
3 Ninth Circuit’s case-by-case substantive consolidation analysis focuses on two, independent
4 factors. First, whether creditors dealt with the entities as a single economic unit, and did not rely on
5 their separate identity in extending credit. *See id.* at 766. Second, whether the affairs of the debtor
6 are so entangled that consolidation will benefit all creditors. *See id.* Additionally, bankruptcy
7 courts have identified a third, un-enumerated factor that goes to the heart of the substantive
8 consolidation analysis—whether the equities of the case demonstrate that substantive consolidation
9 is reasonable under the circumstances. *See, e.g., In re Bashas’ Inc.*, 437 B.R. 874 (Bankr. D. Ariz.
10 2010).

11 The deemed substantive consolidation test is disjunctive, thus, the Debtors need only
12 demonstrate one of these factors. *See Bonham*, 229 F.3d at 766 (“The presence of *either* factor is a
13 sufficient basis to order substantive consolidation.”) (emphasis added). As set forth below, the
14 facts of these Chapter 11 Cases meet each of these factors, and demonstrate that the Debtors are
15 entitled to the deemed substantive contemplated by the Plan.

16 **1. Creditors Dealt with the Debtors as a Single, Economic Unit.**

17 **a. The Conditions Addressed the Debtors as a Single Economic Unit.**

18 The Conditions imposed by the Attorney General applied structural and operational
19 limitations on the Debtors collectively as the Verity Health System. The Conditions were
20 developed and imposed on the Verity Health System collectively in such a manner that required the
21 Debtors to integrate financially. The Conditions required the Hospitals to remain general acute
22 care hospitals, and specified the number of beds that each Hospital had to maintain for particular
23 services. As discussed above, compliance with these stringent limitations caused extreme financial
24 hardship for the Hospitals individually. As a result, the profitable Hospitals were required to
25 subsidize the cash losses of the other Hospitals within the Verity Health System. Compliance with
26 the Conditions was only possible due to the Hospitals integration in the Verity Health System.

27 Significantly, the Conditions approved governance changes that centralized management
28 and provided that the Debtors operate as one integrated health system—the Verity Health System.

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1 In a letter regarding the Proposed Change in Governance and Control of Daughters of Charity
2 Health System, dated December 3, 2015, the Attorney General conditionally consented to a
3 proposed change in governance and control of “the Daughters of Charity Health System” rather
4 than any one Hospital. The October 2015 report prepared by MDS Consulting in connection with
5 the BlueMountain Transaction likewise addressed VHS and its affiliates as one entity, Verity
6 Health System. After the Conditions were imposed, the bylaws of VHS and each of the subsidiary
7 boards vested ultimate authority over major decisions to the VHS board. Indeed, following the
8 BlueMountain Transaction, the VHS board made major decisions that impacted the Hospitals and
9 all of the affiliated entities. Many other decisions were made at the health system-level.

10 **b. The Debtors Obtained Secured Financing as a Single Economic Unit.**

11 The Debtors’ secured lenders dealt with the Debtors as a single economic unit. Thus, this
12 factor is satisfied even if the Debtors never claimed to be a singular entity. *See, e.g., In re Abeinsa*
13 *Hldg., Inc.*, 562 B.R. 265, 280-81 (Bankr. D. Del. 2016) (finding creditor expectations were
14 satisfied by partial substantive consolidation where, among other things, “[t]he lenders under these
15 credit agreements received combined financial reports from the Debtors as to all obligors that were
16 parties to the applicable credit agreements, and calculated financial covenant compliance based on
17 the assets and liabilities of those entities”).

18 A substantial amount of the Debtors’ prepetition secured debt relates to loan and bond
19 obligations on which multiple debtors are obligated. Specifically, VHS, SFMC, SVMC, SMC,
20 OCH, and SLRH (collectively, the “Obligated Group Members”) entered into the 2005 Series A, G
21 and H Revenue Bonds, the 2015 Revenue Notes, and the 2017 Revenue Notes (collectively, the
22 “Obligated Bonds”).

23 The Obligated Bonds imposed joint and several liability on the Obligated Group Members,
24 and the terms of the Obligated Bonds only addressed the rights and obligations of the Obligated
25 Group members collectively, rather than on a Hospital-by-Hospital basis. Specifically, the loan
26 documents, with respect to the 2015 Revenue Notes and the 2017 Revenue Notes, provide for
27 “unfettered use of the funds loaned with respect to any of” the Obligated Group Members.
28

Moreover, the Master Trust covenants for Obligated Bond borrowings are Obligated Group-oriented and are not Hospital-specific. The bond indentures for each series of Obligated Bonds are identical for each Hospital and are always Obligated Group-based, rather than Hospital-based.

The terms of the postpetition adequate protection offered to the Obligated Bonds are no different. The adequate protection approved by the Bankruptcy Court clearly contemplates the continued joint and several nature of the relief as follows:

- adequate protection liens are joint and several as to the Obligated Group;
- adequate protection liens are subordinated and joint and several as to VMF and Holdings;
- adequate protection superpriority claims are joint and several as to the Obligated Group; and
- adequate protection superpriority claims are joint and several as to VMF and Holdings, but subordinated to the McKesson Claim, the Secured MOB I Financing Claim, and Secured MOB II Financing Claim.

Additionally, the Secured MOB I Financing Claim and Secured MOB II Financing Claim were granted joint and several adequate protection liens and superpriority claims subordinated only to the Obligated Bonds, with respect to the Obligated Group Members, and McKesson, with respect to VMF.

c. The Debtors Negotiated Major Contracts and Agreements as a Single Economic Unit.

Starting in 2015, after the BlueMountain Transaction, major contracts and agreements were negotiated or entered-into on a system-wide basis, such that counterparties dealt with the Verity Health System as a single economic unit. The Debtors received benefits by negotiating collectively, such as better terms or pricing, which resulted from the greater economies of scale of the Verity Health System. In light of these benefits, the Debtors standardized system-level

contracting that normalized pricing for contracts (including physician-related contracts) across all Hospitals. The Debtors' critical system-wide contracts and negotiations include:

- group purchasing order contracts;
- collective bargaining agreements;
- other contracts;
- payor contracts;
- IT systems contracts; and
- health insurance and retirement benefits.

The restructuring that resulted from the BlueMountain Transaction further centralized the Debtors' purchasing functions. VBS, VHS, and VMF, for example, functioned as cost centers for the Debtors' system-wide operations. These cost-center Debtors did not generate revenue independently, and, as a result, are unable to repay obligations without transferring value from the Hospital Debtors. In light of the restructuring, separate-entity plans would likely be contrary to the expectations of creditors that viewed their agreements with cost-center Debtors as backed by the Verity Health System.

2. The Debtors' Affairs Are So Entangled That Consolidation Will Benefit All Creditors.

At first blush, the Debtors maintained the hallmarks of separate entities. The Debtors maintained separate boards for each entity, separate books and records, tracked intercompany transactions, and maintained separate bank accounts, as set forth in the Cash Management Motion. However, a more thorough analysis of the Debtors' finances and operations reveals significant interconnectivity, which would prove costly and time-consuming to unwind at the expense of recoveries in these Chapter 11 Cases. Accordingly, the interests of creditors are best served by deemed substantive consolidation.

"Consolidation under the second factor, entanglement of the debtor's affairs, is justified only where 'the time and expense necessary even to attempt to unscramble them [is] so substantial as to threaten the realization of any net assets for all the creditors' or where no accurate

1 identification and allocation of assets is possible.” *Bonham*, 229 F.3d at 766 (citing *Augie/Restivo*
2 *Baking Co., Ltd.*, 860 F.2d at 519). For example, in *SK Foods, LP*, the bankruptcy court found that
3 “substantive consolidation will benefit creditors by avoiding the cost (assuming it is even possible)
4 of trying to determine the proper characterization of intercompany transfers in order to ascertain
5 who owes what to whom.” *In re SK Foods, LP*, 499 B.R. 809, 827 (Bankr. E.D. Cal. 2013).

6 Here, there are also significant facts related to entangled affairs among the Debtors that
7 weigh in favor of substantive consolidation. The Debtors engaged in the following complex,
8 prepetition intercompany transfers (not always booked as intercompany transfers), combined
9 accounting, valuation issues, and collective management that would prove difficult and costly to
10 creditors to unwind or reconcile:

- 11 • VMF was historically supported by near-weekly funding from other Debtors. However,
12 these contributions are booked as direct net asset contributions rather than
13 intercompany loans. Further, the Debtors that provided funding to VMF have varied
14 over time based on cash availability.
- 15 • The Restructuring Agreement provided \$100 million of net asset funding to VHS;
16 however, beginning June 2016, \$74 million of this funding was transferred to Holdings
17 (a non-Obligated Group Member), and booked as a direct net asset contribution rather
18 than an intercompany loan.
- 19 • Members of the Obligated Group transferred real estate collateral to Holdings (a
20 non-Obligated Group member) to be used as collateral for the MOB Financings;
21 however, this was not booked as an intercompany transfer.
- 22 • The initial capitalization of Holdings is understated given that the transferred property
23 was based on book value. The book value of transferred assets in FY2016 was \$21.8
24 million, but the FY2017 MOB I Loan Agreement provided for \$46.2 million in
25 financing based upon appraisals for the same asset transfers.
- 26 • Although, the Hospitals generally used their own, separate bank accounts, the
27 intercompany transfer activity is significant. From July 2015 to June 2018, booked
28

intercompany transfers exceeded \$1.1 billion. Further, the transfers booked as “net asset transfers” exceeded \$589.1 million for the same period.

- Management and decision-making was centralized following the BlueMountain Transaction. For example, BlueMountain replaced pre-transaction boards at each hospital with Blue Mountain nominees. Additionally, outside consultants were retained at the system-level and strategic plans were also focused at the system-level since the BlueMountain Transaction.
- Since the BlueMountain Transaction, decisions to hire physicians and determine contract terms are made jointly by the VHS Chief Medical Officer and individual Hospital chief executive officers.
- Hospitals benefitted individually from the system-level contracts. For example, SFMC’s profitability is based on periodic Quality Assurance Payments. These Quality Assurance Payments are not only a result of the patient population, but also (i) the system-negotiated contracts which are incorporated in the Quality Assurance Payment formula, and (ii) consultants engaged by the Verity Health System to optimize Quality Assurance Payments for all of the Hospitals.
- SFMC’s capital improvements (*i.e.*, the construction of the new patient tower) were financed by tax exempt financings undertaken on a joint and several basis among members of the Obligated Group. This burden shared by the other members of the Obligated Group compensated SFMC for the system’s use of excess Quality Assurance Payment entitlements.

Unwinding the transactions to prepare separate-Debtor plans would require time and allocations and assumptions. By way of example, prepetition and postpetition allocations by the Estates may be subject to challenge as follows:

- Purchase price allocations are inconsistent with the actual value of certain Debtors’ assets. For example, SCC attributed value from the MOB Financings to SLRH and none to Holdings.

- Allocation of DIP Financing proceeds among the Debtors will be challenging because the current allocation fails to account for the “net asset transfers” to VMF, reimbursement claims constitute potential adequate protection claims of the obligated bonds and MOB Financings, and the current allocation fails to track asset sale proceeds to the detriment of 2005 Series A, G and H Revenue Bonds.
- Professional fees must also be allocated among the Debtors if the Debtors cases are not consolidated. This task would require, for each time entry, an analysis of which Debtor, or Debtors, benefitted from the particular services. Although laborious, such an analysis directly impacts creditors if the cases are not consolidated given that Professional Claims receive priority treatment.
- The system-wide changes that took effect since 2015 severely limit any assumptions based on the Debtors’ historic operations. The changes were significant and took place during the relatively short, three-year period between the BlueMountain Transaction and the Petition Date. The Debtors capital structure also changed significantly during the same time—the Debtors incurred liabilities in excess of \$400 million related to capital investments, the 2015 Revenue Notes and 2017 Revenue Notes, the MOB Financings, the Unsecured Notes, and deferred fees under the Management Agreement.
- The staggered timing of the SCC Sale, the sale of SVMC, the SFMC Sale, and the Seton Sale compound the allocation challenges with respect to the Debtors’ postpetition liabilities, particularly given that certain Debtors continue to operate in some capacity post-closing.

Moreover, different asset valuation or liability allocation assumptions will lead to different results in both asset allocations among Debtors and balances available for distributions to unsecured creditors. Given that the analysis necessarily requires substantial judgment, these assumptions would present a basis for objection and conjecture from creditors attacking the Debtors’ separate plans. Preserving funds in the Estates and avoiding litigation costs maximizes

1 value and weighs in favor of substantive consolidation under the circumstances in these Chapter 11
2 Cases.

3 **XVI.**

4 **POST-CONFIRMATION ISSUES**

5 **A. Modification of the Plan**

6 The Plan Proponents reserve the right to modify the Plan at any time before confirmation.
7 However, the Court may require a new disclosure statement and/or re-voting on the Plan if the Plan
8 Proponents modify the Plan before confirmation. The Plan Proponents may also seek to modify the
9 Plan at any time after confirmation of the Plan if (i) the Plan has not been substantially
10 consummated, and (ii) the Court authorizes the proposed modifications after notice and a hearing.

11 **B. Post-Confirmation Status Reports**

12 Until final decrees closing the Debtors' Chapter 11 Cases are entered, the Liquidating
13 Trustee shall file quarterly status reports with the Court explaining what progress has been made
14 toward consummation of the confirmed Plan.

15 **C. Post-Confirmation Conversion or Dismissal**

16 A creditor or any other party in interest may bring a motion to convert or dismiss these
17 Chapter 11 Cases under § 1112(b) after the Plan is confirmed if there is a material default by the
18 Debtors in performing the Plan. If the Court orders these Chapter 11 Cases converted to chapter 7
19 after the Plan is confirmed, then all property that had been property of the Estates, and that has not
20 been disbursed pursuant to the Plan, will revert in the chapter 7 estates, and the automatic stay will
21 be reimposed upon the revested property, but only to the extent that relief from stay was not
22 previously authorized by the Court during these cases. The Plan Confirmation Order may also be
23 revoked under very limited circumstances. The Court may revoke the Plan Confirmation Order if it
24 was procured by fraud and if a party in interest brings an adversary proceeding to revoke
25 confirmation within 180 days after the entry of the Plan Confirmation Order.

D. Final Decree

Once the Estates have been fully administered as referred to in Bankruptcy Rule 3022, the Liquidating Trustee shall file a motion with the Court to obtain final decrees to close these Chapter 11 Cases.

Dated: ~~June 16,~~July 2, 2020

DENTONS US LLP

By: /s/ Tania M. Moyron

Samuel R. Maizel

Tania M. Moyron

Nicholas A. Koffroth

Counsel to the Debtors and Debtors In Possession

Dated: ~~June 16,~~July 2, 2020

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY
AND POPEO, P.C.

By: ~~[TO BE SUBMITTED]~~/s/ Paul J. Ricotta

Paul J. Ricotta

Daniel S. Bleck

Counsel to UMB Bank, N.A., as Master Indenture Trustee and Wells Fargo Bank, National Association, as Indenture Trustee

Dated: ~~June 16,~~July 2, 2020

MCDERMOTT WILL & EMERY LLP.

By: ~~[TO BE SUBMITTED]~~/s/ Nathan F. Coco

Nathan F. Coco

Megan M. Preusker

Counsel to U.S. Bank National Association solely in its capacity, as the note indenture trustee and as the collateral agent under the note indenture relating to the 2015 Working Capital Notes

Dated: ~~June 16,~~July 2, 2020

MASLON LLP.

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

By: ~~[TO BE SUBMITTED]~~/s/ Clark T. Whitmore
Clark T. Whitmore
Jason Reed

*Counsel to U.S. Bank National Association
solely in its capacity, as the note indenture
trustee and as the collateral agent under the note
indenture relating to the 2017 Working Capital
Notes*

~~[~~Dated: ~~June 16,~~July 2, 2020

JONES DAY LLP

By: ~~[TO BE SUBMITTED]~~/s/ Bruce S. Bennett
Bruce S. Bennett
Benjamin Rosenblum
Peter S. Saba

*Counsel to Verity MOB Financing, LLC and
Verity MOB Financing II, LLC*

Dated: ~~June 16,~~July 2, 2020

MILBANK LLP

By: ~~[TO BE SUBMITTED]~~/s/ Mark Shinderman
Gregory A. Bray
Mark Shinderman
James C. Behrens

*Counsel to the Official Committee of Unsecured
Creditors*

EXHIBIT A: Liquidation Analysis

DENTONS US LLP
601 SOUTH FIGUEROA STREET, SUITE 2500
LOS ANGELES, CALIFORNIA 90017-5704
(213) 623-9300

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Document comparison by Workshare 9.5 on Thursday, July 02, 2020 3:03:41 PM

Input:	
Document 1 ID	interwovenSite://USDMS/US_Active/114739962/7
Description	#114739962v7<US_Active> - Verity - Disclosure Statement - 2020
Document 2 ID	interwovenSite://USDMS/US_Active/114739962/8
Description	#114739962v8<US_Active> - Verity - Disclosure Statement - 2020
Rendering set	Underline Strikethrough

Legend:	
<u>Insertion</u>	
Deletion	
<u>Moved from</u>	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	338
Deletions	260
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	598